THE FREEMAN

IDEAS ON LIBERTY

The Home Schooling Movement

The Morality of Good Intentions

The Rhetoric of Antitrust

MARCH 1987

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IDEAS ON LIBERTY

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PERSPECTIVE

The Quest for Freedom

It is man's hunger for freedom and spiritual well-being more than his hunger for material well-being that sounds the death knell for socialism and communism. The realization that human freedom is morally superior to state coercion in any form is what is changing the world.

—*Terrance D. Paul,* President
Best Power Technology, Inc.

The Least We Can Expect

In *Beyond Liberal and Conservative,* William S. Maddox and Stuart A. Lilie argue persuasively that "classical liberal" principles serve, to some degree, as the basic assumptions of almost all Americans. These assumptions include: individualism; "the state as an instrument to serve individuals, not as an end or value in and of itself"; limited government; individual rights; equality under the law; and representative government.

It would be difficult to find many Americans who did not at least pay lip service to such basic principles of classical liberal philosophy. Yet, of course, few Americans hold to those principles *consistently*. Most advocate substantial government intervention either in the economic or personal realms of human action, or in both.

In one respect, all principles are promises. When people espouse certain abstract principles, in effect they are making pledges about their future actions. From a social standpoint, inconsistency and hypocrisy are forms of promise-breaking which fool other people's reasonable expectations. If widespread, this renders social relationships unpredictable and chaotic.

Now, America is a nation of considerable intellectual diversity, and it is irrational for us to expect our fellow man to agree with us on everything. But we *can* reasonably hold each

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other to account for the promises implied by our stated principles. And due to shared classical liberal assumptions, Americans have a right to expect of each other certain minimum standards of *political* behavior.

The whole thrust of classical liberal principles is toward a society of *self-responsibility*. If classical liberal assumptions are indeed widely shared in the United States, then they constitute implied social promises between citizens. And thus, the least we can expect of any able-bodied American is a life of self-supporting productivity—not irresponsible parasitism or aggression.

The least we can expect is that individuals support themselves—not live at the expense of others. The least we can expect is that businesses win their success in the marketplace—not in the corridors of Congress. The least we can expect is that politicians keep their oaths to uphold the Constitution—not abuse their power by making some favored constituencies "more equal than others." The least we can expect is that voters view each other as inviolate ends—not mere means.

As Americans, our common principles pledge each other lives of self-responsibility. And the least we can expect of each other is that we keep our promises.

—Robert James Bidinotto

The Heart of the Issue

In many parts of the country, hospitals are being hindered in their attempts to provide needed services. In Fairfax, Virginia, for example, Fairfax Hospital until recently was prohibited from performing heart transplants. Who was standing in the way? Federal and local bureaucrats.

According to *The Wall Street Journal* (November 21, 1986) such disputes are becoming more frequent. Many hospitals wish to offer additional services such as transplants, but in states where government permission is required, officials often object.

Why? Sometimes, as in Fairfax, it is argued that the area's residents are already adequately served by other centers that perform transplants. Some are concerned about the costs of duplicating staff and resources. The main contention is that these procedures should be performed only in "centers of excellence" where chances of success are best.

The hospitals counter that close-to-home access is economically, socially, and psychologically valuable. Patients often need extensive follow-up care. Using a distant center can mean relocation, or expensive and tiring travel. A Fairfax resident, for example, would have to travel to Baltimore or Richmond, both more than an hour and a half away.

This is one of those unnecessary debates in which basic questions are ignored. Leave aside that if Fairfax residents are content with the service in other centers, Fairfax Hospital will do no transplants. Leave aside that duplicate staffs may develop money-saving improvements which could be passed on to others. Leave aside that new "centers of excellence"—surely a desirable goal—cannot develop if they are not allowed to gain experience.

Instead consider the fundamental question: Who should decide these secondary issues of availability, quality, and costs? Should patients and their physicians be free to decide what hospital services to use, and should hospitals be free to decide which to offer? Or should a political authority restrict this freedom?

If individual freedom of choice is a basic right, then despite all good intentions of local health planning boards, and notwithstanding their legal authority, these decisions are just none of their business.

—HB

Last Call: Alderbrook Seminar

FEE's annual Northwest seminar will be held April 10-12 at the Alderbrook Inn on beautiful Hood Canal in Washington State. Dr. Stuart Pritchard is organizing the program. Speakers will include Howard Baetjer Jr. and Greg Rehmke of the FEE staff and Richard Stroup and Jane Shaw of the Political Economy Research Center (PERC), Bozeman, Montana. For more information contact Dr. Pritchard at P.O. Box 4101, Tumwater, WA 98501, (206) 352-4884, or contact us at FEE.

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The Home Schooling Movement

by Clint Bolick

As "movements" go, home schooling is one of the most eclectic, coalescing an extraordinarily diverse group of individuals around a single purpose—the education of children outside the traditional schooling structure.

The growing ranks of home schoolers span the entire political spectrum, encompassing conservatives and liberals, libertarians and populists.

Many home schoolers are rigidly traditional and scrupulously law-abiding, while others are long-time practitioners of civil disobedience. Some are fervently religious and have removed their children from mainstream schools because they are too secular, while others are nonbelievers who consider public schools too religious. Still others are compelled to educate their children at home because they live in geographically isolated areas, remote from ordinary schools.

What binds this heterogeneous movement together is a deeply held devotion to a single overriding principle: that parents have the responsibility—and the *right*—to direct and control the educational development of their children. But despite the consistency of this view with the principles of liberty on which this nation was founded, the right of home schoolers to freely exercise their choice is in serious dispute—giving rise to one of the most compelling civil rights controversies of our time.

Clint Bolick is an attorney with the U.S. Department of Justice, Civil Rights Division. He is working on a book entitled, Changing Course: Civil Rights at the Crossroads. *The views expressed in this article are solely those of the author, and are not intended to represent the policy of the Department of Justice.*

Contrasting Styles, Impressive Results

Another characteristic unifying home schoolers is the enormous commitment—in terms of time, energy, patience, and persistence—they must invest to carry it through. And yet thousands of families across America have made this commitment. The exact number of home schoolers is difficult to determine, but a recent study places the figure as high as 260,000. And by all appearances, those numbers are increasing.

Many critics confuse home schoolers with nonschoolers, counterculturists who reject the value of any formal education. On the contrary, most home schoolers place an extremely high value on education; so much that they are unwilling to entrust that vital process to surrogates. To some extent, all parents are home schoolers, for education does not take place solely in a formal classroom. But the term accurately applies only to those parents who have taken this phenomenon a major step further, by turning their homes into formal institutions of learning—"schools" in the purest sense of the word.

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If a "typical" home school exists, it probably follows one of two widely divergent patterns. The first is the structured home schooling environment. Home schools within this category are generally extremely ordered, with set goals, characterized by rigorous schedules and "attendance" requirements, textbooks and other professional materials, extensive "homework," and frequent tests. Many religiously motivated home schoolers embrace this approach, and infuse a great deal of religious education into the learning environment.

The other common approach is less structured. Many home schoolers eschew competition and academic pressure, and allow their children to proceed with their own interests in a positive environment designed to stimulate intellectual curiosity, similar to the approach employed in Montessori schools. Learning tools often used in less structured home schools include computers, frequent "field trips" and cultural experiences, and defined manual chores.

Either approach generally produces impressive results. Indeed, the very nature of home schooling virtually insures a high return on the investment. The teacher/student ratio is by definition quite small, providing for a highly individualized learning environment and enhanced capacity to respond to particular needs. Unlike many teachers in public schools, home school teachers are necessarily extremely motivated, and possess a direct interest in the achievements of their children. While many home schoolers are not certified teachers, neither are they encumbered by arbitrary certification requirements or the political and special-interest demands of the educational bureaucracy.

Moreover, home schoolers may draw upon plentiful resources tailored to their needs. The Calvert School and the Santa Fe Community School are just two of the national "satellite schools" that provide formal curricula, teaching materials, and tests for home schools, monitor academic progress, and award diplomas; and local private schools also frequently offer similar "out-student" services. Some public school districts allow home school students to enroll in certain courses, participate in extracurricular activities, or use their facilities. Support networks, such as Holt Associates in Boston, founded by the late home school pioneer John Holt, and the Hewitt Research Center in Washington state, directed by Dr. Raymond Moore, share practical information via newsletters, books, and seminars; and these organizations are supplemented by active support groups at the local level.

Many critics condemn home schooling for supposedly overlooking "real world" socialization skills. But that is precisely why many home schoolers elect to teach their children at home—they object to the type of "socialization" to which their children would be subjected in the public schools. Instead, many home schoolers provide alternative socialization outlets, such as Scouting, church groups, and community athletic programs.

Home schooling is not for everyone; in fact, it's not even for most people. It requires an extraordinary commitment that most parents cannot afford to give. But for those who do make that commitment, it can be very rewarding and fulfilling for both parents and children. Rather than rejecting it out of hand, we should acknowledge the advantages of home schooling and accept it as a viable alternative educational institution wholly consistent with American ideals.

Pioneering Spirit

The potential benefits of home schooling are exemplified by the Schneeberger family, which lives in rural Woodland Park, Colorado. The Schneebergers have four children, ages 3 through 10, and have been home schooling for three years with extraordinary success.

Peter Schneeberger is a postman with a college degree in fine arts and mathematics, while his wife Rory, who handles most of the teaching duties, is a former public school teacher and Christian school principal who earned degrees in child development and psychology. The Schneebergers are nondenominational Christians, and decided to become home schoolers because, as Rory explains, "home is where the attitudes and convictions of life are hammered out." "My experiences in the public schools," she adds, combined with "the militancy of some so-called Christian schools, also tugged at our hearts and contributed to our

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decision to educate our children at home, under loving, caring, and firm supervision."

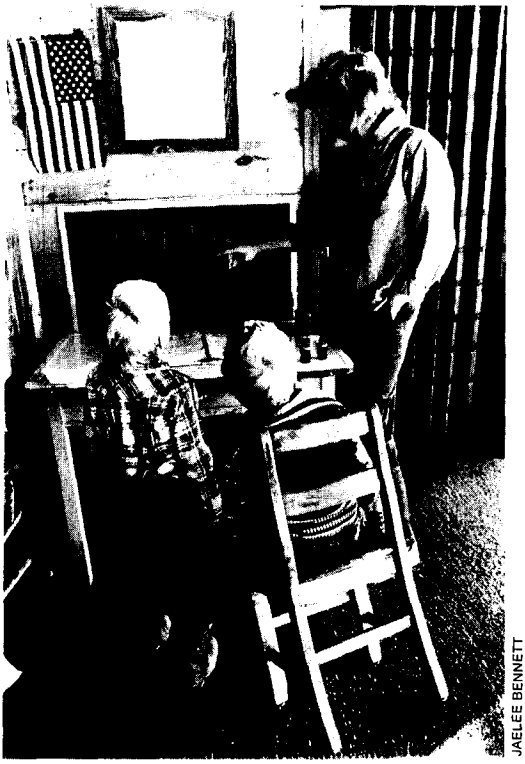
The school day at the Schneeberger's "Rainbow Ranch Christian Family School" begins at 8:30 A.M. with pledges and prayers, followed by academic lessons until 11:30 A.M. Peter comes home for lunch, which provides for midday family time. During the afternoon, the smaller children nap while the older children correct their papers or participate in field trips, practical "life experiences," or Christian service. After school, the older children are active in community athletics, Christian Scouting, 4-H, and animal chores.

Rory designs her own curriculum and supplements it with professionally developed materials, such as *Rod and Staff,* American Christian Schools, Inc., and library books. When Rory needs assistance, Peter steps in or they consult other professional teachers or tutors.

The academic results produced by the Schneebergers' home school are stunning. Lucas, age nine, tests regularly and extensively. Last year, compared with other third-graders nationwide, Lucas scored between the 76th and 100th percentiles (93rd percentile overall) on every facet of the Stanford achievement test, demonstrating proficiency at fifth to college grade levels. These results were confirmed by other nationally recognized tests. He was recently accepted into an adult education class in Colorado history, one of his special interests; and his parents hope to eventually enroll Lucas in an early college admission program.

Despite the uncertain legal status of home schooling in Colorado, the Schneebergers have not been challenged by educational officials, and they maintain a "friendly working relationship" with Calvin Frazier, Colorado Commissioner of Education, and their local district. The Schneebergers are active in home schooling support organizations and consider themselves "blessed immensely" by their experience as home schoolers; and it is difficult to comprehend an educational arrangement that would be more beneficial for their children.

The Schneebergers' experience is not atypical. In recent years, leading institutions of higher learning such as Harvard University have admitted students who have been educated



Rory Schneeberger with sons Michael and Logan

with notable success exclusively at home. With increased exposure, home schoolers may be able to overcome the apprehension and hostility purveyed by the educational establishment while adding to their ranks new families for whom home schooling is an appropriate alternative.

Legal Quagmire

Although the number of home schoolers appears to be growing, the species is constantly endangered by its most voracious predator, the State. A decision to educate children at home requires not only a commitment to undertake an enormous educational effort, but frequently also to take on a hostile public educational bureaucracy, abetted by the compulsory school attendance laws.

State laws governing home schooling are remarkable in their inconsistency. Parents who are educating their children at home with the blessing of one state can move to a neighboring jurisdiction and suddenly become outlaws. As of 1983, for instance, parents could educate their children at home relatively freely in Idaho

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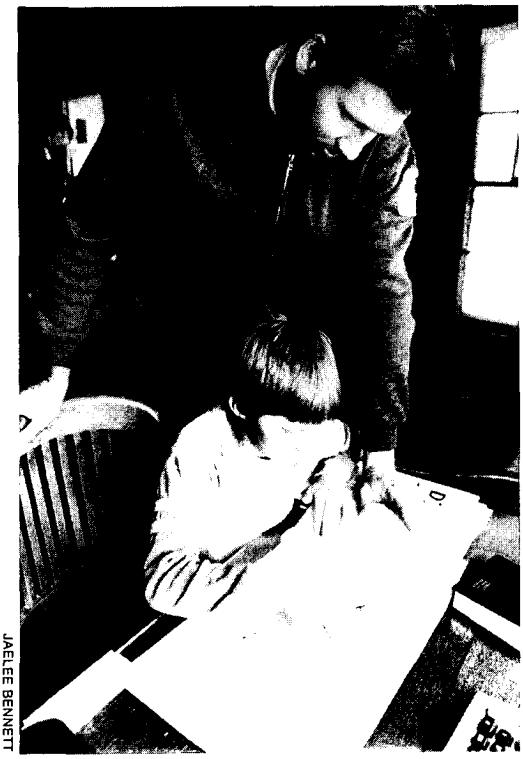

JAELEE BENNETT

Peter Schneeberger assists son Lucas in a lesson

or Montana, but would do so at their considerable peril in Wyoming or Washington state.

Home schooling laws generally fall into one of three categories. The most permissive are the "equivalency" laws, which generally require only some showing that the alternative education provided is comparable to that provided by the public schools. A second category is comprised of "certification" statutes, in which the "teacher" must be certified by the state or fulfill some other requirements. Finally, the most restrictive are the "prohibition" laws, which limit educational choices to traditional public or private schools. In such jurisdictions, home schoolers often attempt to circumvent the law by claiming that their homes are schools, or by incorporating as such. Most courts have rejected such arguments, even where the home schoolers demonstrate superior educational achievement. Other courts, however, have given a more sensible definition to "school," such as the Indiana Court of Appeals, which declared in 1904 that

> [a] school, in the ordinary acceptance of its meaning, is a place where instruction is imparted to the young. . . . We do not think that the number of persons, whether one or many, make a place where education is imparted any less or more a school.

Relatively few courts have taken such an enlightened approach. Consequently, where state laws are prohibitive or restrictive, the educational bureaucracy can make life miserable for home schoolers. Its interest is typically not the educational well-being of the child, for if the debate is defined in those terms the home schooler will often prevail. Instead, the educational bureaucracy's interest is pecuniary in nature—the local school district usually loses funding for every child removed from the school system. Accordingly, school districts resort to any means at their disposal—scare tactics, threats, criminal prosecutions—to coerce parents to return what the school districts view as their property. Moreover, by condemning home schooling as deviant behavior, the educational bureaucracy often induces intermeddling citizens to turn in their neighbors in classic police state fashion.

Those home schoolers unfortunate enough to be engaged in a legal imbroglio face overwhelming obstacles. Home schoolers are prosecuted under truancy statutes, violations of which are treated as criminal acts and prosecuted by the local district attorney and the child abuse apparatus, with its presumption of guilt and accompanying network of condescending social workers. The tragic irony is that home schooling is *not* child abuse; on the contrary, home schoolers who are subjected to this humiliating process are often among the most conscientious of parents.

Once the legal apparatus of the state is unleashed, many home schoolers are ill-equipped to resist effectively. Although most cases can be resolved by a simple phone call to the prosecuting officials from an attorney explaining the parents' rights, this frequently doesn't happen, for a variety of reasons. First, by definition, most home schoolers are one-income families since one parent stays home to educate the children; and for this reason many cannot afford attorneys. Second, few attorneys are experienced in home schooling cases. The issues involved are complex, combining elements of such disparate legal fields as constitutional,

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family, and criminal law; and it costs money to give a lawyer time to develop his expertise. Third, many home schoolers attempt to represent themselves, using one of the numerous home schooling legal defense manuals available. Unfortunately, these manuals often ill serve the home schoolers by misstating the law, and of course they cannot teach people how to practice law. Consequently, many home schoolers are overmatched by skillful prosecutors, and thereby lose not only their cases—and sometimes their children—but also create adverse precedent by which other home schoolers may be bound.

Constitutional Precedents

Home schooling will continue to be a risky enterprise in many jurisdictions unless and until the courts definitively address the nature and extent of the rights involved. The preferred course of action is legal reform; but without judicial intervention, states may continue to enact arbitrary laws, and local school districts may continue to intimidate home schoolers with impunity, regardless of how capable and successful the home schoolers are at educating their children.

A number of constitutional arguments can be made on behalf of home schoolers, but two in particular provide the best prospects for success. For those parents whose religious beliefs impel them to teach their children at home, the First Amendment may provide a viable defense. This issue was presented to the Supreme Court in *Wisconsin* v. *Yoder* in 1972, but its holding of the case is extremely narrow due to the facts. In the *Yoder* decision, the Supreme Court ruled that Amish parents could remove their children from formal schooling after the eighth grade and teach Amish values and skills, notwithstanding a state statute requiring attendance in a public or private school until age sixteen. The Amish parents, who were convicted of violating this law, were precluded by their religious tenets from satisfying the "substantially equivalent education" exception to the compulsory education law, since they fundamentally objected to the nature of the high school-level schooling required by the state.

The Court determined that the parents satisfied the requirements of the First Amendment by demonstrating that their actions were a consequence of their deeply held religious beliefs. Although the Court noted that the state could permissibly impose minimum educational standards and compulsory attendance requirements, it concluded that the state's interest in requiring additional years of formal schooling was outweighed by the parents' religious beliefs, particularly where the parents provided adequate, if informal, vocational training at home consistent with their religious views. As Justice Stewart explained in his concurring opinion, "Wisconsin has sought to brand these parents as criminals for following their religious beliefs, and [it] cannot constitutionally do so."

The *Yoder* decision was certainly good news for home schoolers, but its impact is limited by the narrowness of the Court's decision. The Court relied upon the unique characteristics of the Amish beliefs and lifestyle, and addressed home schooling only at the high school level.

Moreover, the First Amendment is of little value to those home schoolers whose actions are not impelled by religious beliefs. The strongest constitutional argument on behalf of home schoolers in general rests upon the Fourteenth Amendment, under which the Supreme Court recognized in a trilogy of cases during the 1920s—cases that the Court reaffirmed in *Yoder*—that parents have a right "to direct the upbringing and education of [their] children."

The first of these cases, *Meyer* v. *Nebraska*, involved the criminal conviction of a schoolteacher who violated a law prohibiting instruction in German to students below the eighth grade. The Court struck down the law, holding that the teacher's "right . . . to teach and the right of parents to engage him to so instruct their children . . . are within the liberty of the [14th] Amendment."

The Court invalidated an even more authoritarian enactment in *Farrington* v. *Tokushige* in 1927. The case involved a Hawaii law regulating the affairs of foreign-language (i.e., Japanese) schools. The law limited attendance to one hour per day; empowered the Department of Public Instruction to control curricula and textbook selection; required permits for the

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Education and the State

Once the State has accepted full responsibility for the education of the whole youth of the nation, it is obliged to extend its control further and further into new fields: to the physical welfare of its pupils, to their feeding and medical care, to their amusements and the use of their spare time and, finally, to their moral welfare and their psychological guidance. Thus universal education involves the creation of an immense machinery of organization and control which must go on growing in power and influence until it covers the whole field of education and embraces every form of educational institution from the nursery school to the university.

—CHRISTOPHER DAWSON

schools and their teachers as well as disclosure of the identities of the students; and compelled the teachers to sign an oath pledging to "direct the minds and studies of pupils . . . to make them good and loyal American students." The Court concluded that the law violated the individual liberty guaranteed by the Fourteenth Amendment since "it would deprive parents of fair opportunity to procure for their children instruction which they think important and we cannot say is harmful."

The most pernicious deprivation of educational freedom, however, was a state statute prohibiting attendance in any non-public school whatsoever, which was struck down in the landmark *Pierce* v. *Society of Sisters* case in 1925. Justice McReynolds proclaimed the vital doctrine that provides the greatest hope for home schoolers today:

> The fundamental theory of liberty upon which all governments in this Union repose excludes any general power of the State to standardize its children by forcing them to accept instruction from public school teachers only. The child is not the mere creature of the State; those who nurture him and direct his destiny have the right, coupled with the high duty, to recognize and prepare him for additional obligations.

The jurisprudence of the *Pierce* era represented the high-water mark for judicial protection of substantive liberty, but the courts have frequently reiterated these principles in subsequent cases. However, until the Supreme Court directly rules on the constitutionality of laws that prohibit or unreasonably restrict parents who choose in good faith to educate their children at home, such laws will continue to flourish and to deprive parents and children of precious liberties.

A Matter of Civil Rights

The spectacle of a parent being hauled off to jail and deprived of the custody of his or her children—not because the parent is not fulfilling basic responsibilities, but because he or she is doing so, perhaps quite successfully, in a manner that offends some members of the community—is repulsive to the fundamental concept of freedom in America. As a nation, we have chosen to entrust the upbringing of children to parents rather than to the state, a choice that distinguishes ours as a free society.

Where home schooling is tolerated, meanwhile, many young people are obtaining a high-quality education while forming a bond with their parents that should constitute an ideal in a family-oriented society such as ours. And where governments do not obstruct good faith home schooling, they can devote their full resources to matters, such as child abuse, that deserve far greater attention than they presently receive. Clearly, our present quest for education reform should include a relaxation of laws that limit or prohibit the home schooling option—not only because government is failing to educate children successfully, but as a matter of right.

The persecution of home schoolers is one of the gravest deprivations of civil rights in America today. The issue can easily be resolved, however, if only we apply the basic principles on which our nation's moral claim is staked. □

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The Moral Case for a Balanced Budget

by Joseph S. Fulda

There is much talk these days about balanced budgets, but the talk is about figures when it should be about values, about the economic consequences of imbalance when it should be about its moral propriety. The compelling moral case for a balanced budget—against *both* deficits and surpluses—deserves wider attention.

The earliest American champion of fiscal integrity, Thomas Jefferson, reasoned that "every generation coming equally, by the laws of the Creator of the World, to the free possession of the earth He made for their subsistence, unencumbered by their predecessors, who, like them, were but tenants for Life," "the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale."

With such a principled and honorable heritage, the several trillion dollar debt we will leave posterity is a betrayal of our origins. We Americans once boldly declared our Republic founded "to secure the blessings of liberty to ourselves and posterity," yet today leave each other and our children for generations to come to work off our debts and labor for our continuing prodigality. We Americans who once chafed at the thought that in a land far away others taxed us without our consent, today readily tax those of a time still to come who are not here to withhold their consent and are unable to say nay. What could be plainer than that every bond issue, every deficit, and every "multiplication of the public debt," as it used to be called, amounts to taxation without representation, the very principle against which this nation revolted?

It is not prudence or temperance alone, always good qualities in government, that impels us to forswear deficit financing. It is a matter of right.

The case against surpluses dates to antiquity as witness the Biblical injunction against the accretion of royal wealth (Deuteronomy 17:16-17). This not only helped preserve the king's character, it served to check depredations of his subjects. More important, though, and along with the similar injunction against an excessive cavalry, it served to limit his military adventures. The original war chest, accumulated over a long reign by an annual excess of revenues over expenditures, made possible foreign adventures which would have been quite unthinkable if financing them were to have required sudden, confiscatory taxation. As Mr. Jefferson remarked, "The present system of war renders it necessary to make exertion far beyond the annual resources of the State, and to consume in one year the efforts of many."

Today, the adventures of state are as often social and domestic as military and foreign, but the principle remains. Governments exist, as John Locke declared, to preserve our property, not to take it from us and store it for some future, unknown mischief. That being so, government is limited to raising revenues for its constitutional purposes.

The argument against surpluses does not apply to the discharge of the public debt, nor does that against deficits apply to the diminution of public reserves. The moral imperative with which we are therefore faced today is for surpluses to gradually eliminate the national debt. But such surpluses must be generated in a manner consistent with our tradition of liberty —i.e., by still further tax rate and regulatory reductions, real fiscal restraint including the wholesale elimination of wasteful government programs, privatization of government enterprises, and the sale of unneeded government properties, not by increased government exactions and confiscatory taxation. That is the course that Mr. Jefferson pursued while in public office, and it is the road we must try to regain. □

Joseph S. Fulda is Assistant Professor of Computer Science at Hofstra University and resides in Manhattan.

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Collectives, Communities, and the Individual

by John K. Williams

"The trouble with you is that you're an individualist! You see yourself and other people as isolated atoms moving in an empty void! You forget that human beings are, as Aristotle taught us long ago, social animals! You forget the wider truth of St. Paul's insight that we must be 'members one of another.' You forget the wisdom enshrined in John Donne's famous insistence that no man is an island! You simply don't understand what it is to be human!"

The speaker happened to be a clergyman. Yet his criticism of an advocate of individual and economic liberty—indeed, of such liberties themselves—has today become a commonplace.

By and large, critics and opponents of the free market in a free society have conceded that socialism has failed as an economic system. During the nineteenth century socialism was but a theory to be debated; during the twentieth century, however, socialism became a reality to be observed. The bare bones of theory took on flesh, countless variants of the socialist state being established.

The result was unambiguous. Without exception, the attempt to coordinate the productive activities of men and women by the edicts of central planners proved disastrous. Dreams of increased abundance were shattered against the reality of experienced destitution. Today socialist theorists such as Peter Rutland, author of *The Myth of the Plan* (Open Court, 1985) have begun openly to suggest that failure in practice is indicative of a drastic error in theory. Socialist leaders have tentatively begun to move their countries in the direction of freer markets and financial incentives. Almost overnight, the advocates in Western nations of old-style socialism found themselves regarded not as daring innovators on the cutting edge of human thought, but as quaint anachronisms clinging to the discredited illusions of yesterday.

If socialism is understood as a prescription for increased material abundance, the case for socialism is in desperate straits.

The Need for Community

Today, however, socialism is frequently proffered not so much as a solution for economic problems but as an alleged remedy for "existential" problems. The problem with the free market in a free society is not any claimed economic inferiority to socialism or even any supposed tendency to widen the gap between rich and poor. Rather, the problem of capitalism is the sense of loneliness and isolation it allegedly spawns. Men and women rich in consumer goods begin to perceive one another—or so the story goes—as "things" to be possessed, used, and discarded. Individuals feel—or so it is claimed—cut off from one another. The warm bonds of human companionship allegedly are supplanted by impersonal contractual agreements. All sense of community is lost, and "the lonely crowd" is born.

Thus Marxist revisionists today frequently

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point not to the developed economic theories of Marx but to the somewhat impressionistic musings of the so-called "early Marx," the Marx known through his *Economic and Philosophical Manuscript*. The key word becomes not "value" or "labor" or "exploitation" or any of the other terms popularly associated with Marx, but the word "alienation." That word is interpreted in terms of experienced loneliness, apartness, isolation—an understanding of the word that departs drastically from Marx's intended meaning.

In this way the supposedly "scientific critique" of capitalism launched by Marx is supplanted by the imprecise psychological ruminations of such "New Left" thinkers as Herbert Marcuse and Jürgen Habermas. Their language is notoriously opaque and muddled—indeed, clearing away the tangled linguistic undergrowth is a daunting task. Yet when that task is completed, one discovers claims not unlike that of the cleric quoted at the beginning of this article: To be human is to be a social animal, finding joy and meaning and significance in and through relationships of interdependence. The free market in a free society, rooted and grounded in individualism, effectively denies the "social nature" of human beings and thus deprives them of life's deepest joys and values.

What Individualism Is Not

It is folly to deny that human beings, in several significant senses, are "social animals."

For example, reasoned thought, in the absence of language, would be at best rudimentary. Yet language, as the philosopher Ludwig Wittgenstein so powerfully argues in his *Philosophical Investigations* (translated by G. E. M. Anscombe; Oxford: Basil Blackwell, 1958) is an essentially social phenomenon. The notion of a purely "private" language generates—or so Wittgenstein argues—grotesque paradoxes.

Furthermore, substantial evidence exists that an infant deprived of "tender, loving care" is deprived of something vital for growth to maturity. In the affective as well as the cognitive domain, growth to mature humanness presupposes community.

Indeed, there is no need in this context to cite learned authorities. Everyday experience testifies that the life of the human mind and the joy of the human heart in large measure are born of creative interchange between people. The hunger of the human spirit for communion with others is universal and seemingly insatiable.

Everyday experience testifies that the life of the human mind and the joy of the human heart in large measure are born of creative interchange between people. The hunger of the human spirit for communion with others is universal and seemingly insatiable.

It also would be folly to assert that the material well-being of people is not served by interdependence. Certainly the defender of a market economy makes no such assertion. At the very heart of a market economy lies the division of labor, itself an exercise in interdependence. In fact the genius of the market is constituted by its unrivaled capacity not simply to coordinate the diverse activities of countless market participants, but to enable individual men and women to draw upon and use a totality of information no single person could consciously even begin to assimilate!

Ironically, the opponents of interdependence, and thus the advocates of a perverted "individualism," are to be found among the opponents of the free market. Marx perceived the division of labor as itself a cause of "alienation." His utopia is an imprecisely defined social order in which not only the state, but the division of labor itself, is no more. He dreams of a day in which he will be able "to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, shepherd or critic" (*The German Ideology*, in *Karl Marx: Selected Writings*, ed. D. McLellan [Oxford: Oxford University Press, 1977] p. 169).

Lenin elaborated this pseudo-individualism further, insisting that with the abolition of "the division of labor among people" a new hu-

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manity "able to do everything" will emerge (*Left-Wing Communism: An Infantile Disorder* [New York: International Publishers, 1940)] p. 34). If by "individualism" one signifies an advocacy of atomistic independence and abhorrence of the cooperative interdependence displayed by the division of labor and a free market economy, Marx and his original disciples are the "Individualists"!

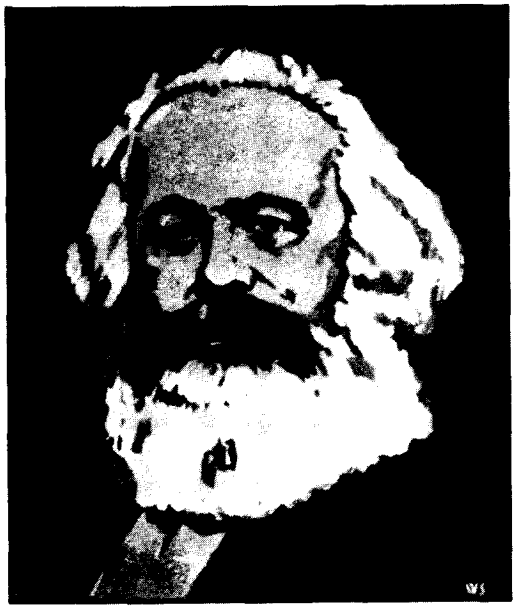
What Individualism Is

Individualism, properly understood, begins with a fact about the world: Human beings exist. What is more, each human being perceives from a unique point in space and time. Each human being experiences sensations in his or her own body for himself or herself. Each person enjoys privileged access to the contents of his or her consciousness. Each human being is capable of initiating purposive action "from within."

It might be objected that many significant human activities involve a group. From time immemorial, for example, human beings have met together and thought things through. Yet, while human beings engage in creative interchanges of ideas, this group activity does not presuppose some single "super-thinker" above the individual thinkers making up the group. Likewise, coordinated group action—the activities of people seeking to achieve a common purpose—ultimately signifies the self-initiated and self-directed actions of each member of the group.

The individualist denies that a "community" or a "society" or a "state" is a "thing" distinct from the concrete, flesh-and-blood individuals making up that community, society, or state, certain shared characteristics of these individuals, and certain relationships obtaining between them. A "society" thus is not a mysterious "super-thing" existing independently of the members of the society, the language, traditions, patterns of behavior, and so on shared by these members. Rather, to talk of a "society" is to use a shorthand term signifying what exists: individuals sharing certain characteristics and related in specifiable ways.

To deny this is to be guilty of what the philosopher A. N. Whitehead calls "the fallacy of misplaced concreteness" (*Process and Reality* [New York: Macmillan, 1929] p. 11; *Science and the Modern World* [New York: Macmillan, 1929] p. 75). What in truth is "concrete" are the perceiving, thinking, valuing, and acting flesh-and-blood people sharing particular characteristics and related in various ways signified by the abstract word "society." The collectivist mistakenly holds that the single word "society" refers to a single "thing" distinct from individual people, their qualities, and their relationships, and no less mistakenly pretends that this mysterious "thing" is "concrete" and individual people the "abstractions."



Karl Marx: a theory of pseudo-individualism

The individualist reads thinkers such as Jean Jacques Rousseau with growing astonishment. Crucial to the social and political thought of Rousseau is what he called "the general will." According to Rousseau, a *society,* as against a mere cluster of individuals, is coordinated and unified not by the will of any individual nor by the common will of any set of individuals, be that "common will" the "will of the majority" or even a "consensual will of all." Somehow, a "general will" distinct from and other than any individual will or set of individual wills actually exists. This somewhat eerie "general will" allegedly is informed by a wisdom and goodness far exceeding the wisdom and goodness of any individual will or set of individual

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wills. Given this single "general will," Rousseau affirms that there is a single supreme good—a single overriding goal—toward which a society strives. The Jacobins and Girondins quite correctly appealed to Rousseau when, during the reign of terror that so devastated France, they outlawed all voluntary associations.

A "society" is not a mysterious "super-thing" existing independently of the members of the society, the language, traditions, and patterns of behavior shared by these members.

Rousseau affirms that rulers, by a process he does not identify or describe, are somehow sensitive to the dictates of the "general will" of their society, encoding these dictates in the specific laws they devise. The "good citizen" thus ascribes to the laws of his society a wisdom and goodness surpassing his or her own wisdom and goodness. In the unhappy event of an experienced tension between what an individual wills and what the "general will," known in and through specific laws, decrees, a misperception must exist. For the "general will" allegedly reflects the "real" will of each member of society. A contrast can thus obtain between what a person may think he or she wills and what a person "truly" wills.

It is a short step from this strange cluster of teachings to the insistence of the German philosopher Hegel that the "general will" is the will of an existing entity, the State, and his further claim that the State is the earthly manifestation of the Absolute or God. It is but another short step from the political philosophy of Hegel to Marx's and Hitler's totalitarian systems.

The individualist insists that it makes no sense to subordinate what is real and concrete to a theoretical, abstract construct. For example, the individualist views any claim that the "rights" of society somehow take precedence over the "rights" of individuals as not so much a false claim but as a meaningless claim. "Rights" can no more be predicated of "society" than they can be predicated of triangles. Thought through, all "natural" or "moral" or "human" rights are rooted and grounded in the autonomy of the individual human being. A being incapable of self-directed behavior cannot be the subject of "rights"; inasmuch as "society" is not even a "being" at all, let alone a "being capable of self-directed behavior," society cannot have "rights."

Indeed, when politicians and others refer to the "aim" or "goal" or "good" of a society or a state, almost invariably they are referring to the aim or goal or good of an individual or set of individuals desirous of coercively imposing one particular vision of the "good life" upon others. The only sense the individualist can give to the notion of a "common good" is the freedom of each member of a society to be what he or she in fact is: an autonomous being able to formulate his or her own vision of the good life and to initiate behavior he or she hopes will lead to the realization of that vision.

So stated, individualism can sound like yet another abstract and even arid philosophical creed. Yet it was this creed that led to the impassioned moral cry that no person is a chattel, a means to another's ends, a pawn on a political planner's chessboard. It was this creed that gave institutional and "secular" expression to the ancient insight of Israel that even the humblest human being was created in the *imago Dei*—the "image of God"—and thus enjoyed a creativity and dignity no ruler could with impunity ignore. In the final analysis it was this creed that gave birth to the American Revolution and the challenging of all dominations and tyrannies, all bigotries and legally entrenched privileges, all predatory institutions debasing and enslaving the free spirit of humanity.

Interdependence

Most surprising of all, individualism unleashed an unprecedented measure of human *interdependence* and hitherto unknown forms of community.

- As the free market grew, the business firm became increasingly important. What traits

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of individual character did the business firm foster? Surely the ability to work cooperatively with others as part of a team! Aristocrats admired the solitary and even eccentric individual; businessmen lauded the person capable of integrating his or her activities with those of others.

- Pre-market societies were characterized by what one might call the "ubiquitous tyranny of the economic." Family and other relationships were valued in large part as means to an economic end. The goal of most activities was the fundamental goal of acquiring sufficient goods and services for bare survival. The abundance created through the free market liberated men and women from total preoccupation with the economic dimensions of human activity. Human relationships could be valued not as means to an economic end but for the intrinsic pleasure they involved.
- Free trade broke down barriers separating nation from nation. Bonds of interdependence between peoples who had never met and might never meet were forged. Far from denying the claim that "no man is an island," the free market underscored that claim's truth—members of communities joined by the ties of peaceful trade could not rationally perceive themselves as being isolated from those distant and individually unknown people with whom their well-being was entwined.

Conclusion

Paradoxically, it is the collectivists who foster and further the divisiveness and "competitiveness" they so deplore. An economic system run by political edicts breeds warring factions locked in zero-sum games, one special interest group prospering at the expense of people less powerful or less skillful at lobbying for their own advantage. It is the individualists—those affirming and cherishing the uniqueness of each and every human person—who, "as though led by an invisible hand," inadvertently bring into existence a socio-political order making for peaceful cooperation, harmonious integration, and radical interdependence. It is only when the uniqueness and worth of the individual is affirmed, that a true and lasting community becomes a possibility. □

IDEAS ON LIBERTY

A Harmony of Interests

The socialists believe that men's interests are essentially antagonistic. The economists believe in the natural harmony, or rather in the necessary and progressive harmonization, of men's interests. This is the whole difference. . . .

To be sure, if men's interests are naturally antagonistic, we must trample underfoot justice, liberty, and equality before the law. We must remake the world, or, as they say, *reconstitute society*, according to one of the numerous plans that they never stop inventing. For self-interest, a disorganizing principle, there must be substituted legal, imposed, involuntary, forced *self-sacrifice*—in a word, organized plunder; and as this new principle can only arouse infinite aversion and resistance, an attempt will be made at first to get it accepted under the deceptive name of fraternity, after which the law, which is force, will be invoked.

—FREDERIC BASTIAT
Justice and Fraternity

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Sweden's Empty Smörgåsbord

by Eric Brodin

When in 1976 a nonsocialist Swedish government for the first time in 44 years replaced a socialist government, the defeated premier, Olof Palme, explained that the Conservative-Centrist coalition was taking over *ett dukat bord,* a set table filled with *smörgåsbord* delicacies. The new government spokesmen, of course, pointed out that Sweden's economy was much more to be likened to "an empty table," a smörgåsbord bereft of even essential ingredients due to excessive demands of a cradle-to-grave welfare statism which even relatively wealthy Sweden could no longer afford.

In fact, what Sweden was experiencing is what had earlier been characterized by East German Marxist economic theorist Jürgen Habermas: "The division of labor between the state and the private sector that forms the basis for the Swedish model requires that a continually increasing share of the national product be transferred to the public sector [it is now 65 per cent]. Technical and economic changes must be accompanied by enormous public investment in order to insure the stability of society. There is a point where a dislocation in the social structure, caused by the free play of the market forces, becomes so great that people are no longer willing to pay the price for the necessary remedies. The demand for security remains, but the desire for each person to contribute to the cost of this security diminishes. The welfare state then faces a crisis of confidence." (From *Legitimationsprobleme im Spätkapitalismus*)

The nonsocialist government lasted only six years. It was characterized by (a) internal squabbles between the three coalition partners, the Conservatives, the Liberals, and the Centrists; (b) the inability to dismantle a single major plank of the welfare state superstructure; and (c) the nationalization of more industrial complexes in one year than during the preceding 25, a natural consequence of a gradual strangling of Swedish enterprise.

The economic situation of Sweden today is one of desperate economic plights, a fact which is not associated with Sweden in international public opinion. Erik Dahmén, professor of economics and social history, recently authored a significant article in *Svensk Tidskrift* (No. 3, 1986) called "The Swedish Economy—an ignored scandal." Professor Dahmén concludes: "The Swedish model for economic policies and the Welfare State has for much too long been spoken about on very loose foundations. We ought to be ashamed of 'the Swedish Scandal' and allow this sense of shame to lead us to a reasonably intelligent conduct of our actions in the future."

Sweden's situation is well illustrated by the fact that it is alone among industrial countries in having major devaluations during 1976-1982 (totaling 45 per cent) *and* accumulating a large foreign debt at the same time. Most other countries will do one or the other, but not both. And a fairly good measure of serious economic displacement is when a nation (including its provincial and city governments) is borrowing not

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Swedish Foreign Ministry, Stockholm.

for future development but for *current consumption*. Household borrowings increased by 55 billion crowns in a single year, from 12 to 67 billion crowns mid-year 1985-1986. (The average value of the dollar was 7 Swedish crowns during this period.)

In short, the picture is clear:

(1) Sweden has one of the highest inflation rates in the industrialized west.
(2) Sweden has the highest interest rates in the industrialized world.
(3) Sweden has the highest proportion of its Gross Domestic Product devoted to the public sector in the industrialized world.
(4) Sweden has one of the highest per capita national debts in the western world.

What Went Wrong?

Let us now take a closer look and analyze the background to these tragic economic facts so seldom associated with Sweden's spuriously entitled Welfare State.

In an urgent attempt to stem the increase of the rate of inflation, Sweden imposed price controls in the past and has made every attempt to restrict the wage increases negotiated between organizations representing management and labor. During 1985, *Outlook on the Swedish Economy* reported that "Inflation has not been brought down as fast as would have been necessary to maintain the competitive advantage created by the devaluations. Consumer price increases, measured as a 12-month change, persisted at around eight percent during the first half of the year . . . The 7-8 percent inflation is far above the two percent of Japan and the Federal Republic of Germany or the four percent which is the average for other industrialized countries."

The 16 per cent devaluation in 1984 failed to achieve the desired results. In the first half of 1985 exports of goods and services fell by almost two per cent in volume from the same period in 1984. To stem inflation the Swedish state has in vain appealed to labor unions to hold wage increase demands to two per cent. Instead, wages increased almost 7.5 per cent from 1984 to 1985. A realistic estimate points to an 8.5 per cent increase in 1986 and above seven per cent in 1987.

The wage increases which were reluctantly granted in 1986 to employees in the private

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sector are now demanded by the public sector employees. Sweden's 1985 population was about 8,359,000. Only a little more than half of the population (4,315,000) was employed, yet of these a significant 27 per cent or 1.6 million were employed in public administration or public services. (Thus 33 per cent of Sweden's population, in effect, provides productive work with its resultant wages and taxes to support the remaining 67 per cent of the population.)

Outlook on the Swedish Economy sadly reports: "Persistently high inflation, the lack of balance in the government budget and on the current account, and the beginning of an international economic downturn will unremittingly lead to weaker growth. Without export growth, a country such as Sweden, which is dependent on foreign trade, cannot grow."

The decline in Swedish exports is in no small measure because Swedish labor has priced itself out of international markets. While Sweden still has a positive balance of trade with imports in 1985 valued at 243.6 billion crowns and exports totaling 259.4 billion, due to the cost of net interest and an imbalance in tourism and services, the balance on current accounts shows a decline of nine per cent in 1985.

Borrowing Abroad, Unemployment, Deficits

Sweden has been a major borrower in international banking circles for years. In the three years after the return of the socialists to power in 1982, foreign borrowings by the Swedish central and local governments amounted to 158 billion crowns. The inflow of money has been encouraged by Sweden maintaining exceptionally high interest rates by European standards. The Swedish interest premium over three months is 6.25 percentage points higher than the Eurodollar rate, which is sufficient to provide an enticement. Short-term interest rates in the money market average 15 per cent and the rates on long-term government bonds average 13 per cent.

The remaining issues which need to be addressed are the growing unemployment problem and the total deficits in the Swedish national budgets.

The "official" unemployment figures averaged 2.4 per cent of total labor force annually in 1976-1984 but increased to 3.5 per cent in 1983. However, this doesn't take into account the vast programs of retraining and make-work projects. Danne Nordling from *Ekonomifakta* says the real figures should be 4.8 per cent for 1980 and 7.2 per cent for 1983. Even this figure is challenged by some Swedish economists such as Professor Sven Rydenfelt, who says that if one includes in the unemployment figures students who really would rather find work or those in forced early retirement, the figure should be closer to 11 per cent. But even with the modest employment increase during 1984-1985 (67,000 persons), a disproportionate number have gone into the public sector, not into the private sector which would tend to generate real economic growth. During the two decades 1965-1985 the number of public sector employees increased 15.2 per cent while employment in industry declined 46 per cent.

Today Sweden's economy is practically grinding to a halt. Estimated economic growth has been put at 1.1 per cent for 1985 and .3 per cent for 1986. Sweden's national debt now amounts to 595.7 billion crowns, an increase of 11.4 per cent from the preceding year. The interest on the national debt is 20 per cent of the national budget compared to 13 per cent for the USA. The budget deficits in the 1985-1986 budget amounted to 67 billion crowns, which counted in terms of GNP and per capita is far higher than that of the United States.

The public sector's proportion of total national income (GNP) increased from 50 per cent in 1975 to 67.4 per cent in 1982. Today it is most often quoted as being 65 per cent. No nation which hopes for economic growth can exist under these conditions for very long. The empty smörgåsbord was evident already in 1976—a decade later it is a tragic reality for the 8.4 million inhabitants of Sweden's bankrupt Welfare State.

The prophetic words of Friedrich A. von Hayek are coming true: "Sweden's politicians and trade union leaders—like politicians and leaders elsewhere—never comprehended to which end-station their policy would lead. As a matter of fact, it leads to socialism, inflation, unemployment and finally to the collapse of the system." □

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Latin American Economic Liberation

by José Rivas-Micoud

The social and political contrasts presented by the two arms of the American hemisphere reveal intriguing insights about the different economic directions they have hereto followed.

The United States in the north enjoys a dynamic economy within a powerful democracy.

In Latin America in the south, numerous states are divided politically, underdeveloped economically, subjected to frequent social unrest, and plagued by inflation and poverty.

Why should one branch of the continent enjoy enormous affluence and power while the other languishes in misery and weakness when both attained independence almost simultaneously, and are endowed with a comparable abundance of natural and human resources?

History gives the answer.

The 1776 North American revolution is usually presented as a political revolt of thirteen colonies against British rule. The rebellion, however, responded to fiscal and economic motives, for it principally sought trading and fiscal freedoms. The ensuing breakup of political ties was an effect rather than the cause of the revolt. And the Declaration of Independence did not mention economic rights specifically only because they were implicit in the pursuit of happiness.

This erroneous emphasis assumes that the political liberties gained by the rebellion gave rise to economic freedom. The truth is rather the reverse. To assure and protect the economic liberties the colonists fought for, the United States needed to be politically independent. And though some people were reluctant about it at first, political links with Britain were severed.

The present United States political structures derive from the original struggle for a free market economy, and confirm that democracy thrives only when economic restrictions are removed.

The Paradox of Liberalism

Genuine liberalism restricts government's role to the preservation of internal order and security, leaving individuals free to exercise their own initiative in society. Paradoxically, those original liberal notions reached modern America with an opposite connotation. Today, American "liberals" favor state intervention in the economy, government ownership or monopoly of numerous enterprises, and a vast state paternalism to combat poverty. But the altruistic objectives of "liberal" welfarism are often translated in practice into increased rather than decreased poverty.

Moreover, all central economic planning not only discourages private sectors, but also favors the spread of totalitarian ideologies. Whether nazism, communism, or fascism, every one-party rule from the outset demands total control of the economy. For the most ef-

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fective way to control human minds and wills is through their pockets. And history has shown that without economic freedom, no political or social liberty can survive for long.

The Latin American Case

Unlike the north, the struggle for independence was essentially political in Latin America. The main objective was to break political ties with Spain and Portugal. In the process, the revolution hardly touched existing economic and social structures. The political independence in Latin America was not accompanied by a commensurate economic liberation.

Lacking the northern trading mentality, Latin American ruling elites persisted in a traditional Iberian disdain for commerce and manual labor. Privileged minorities clung instead to allegedly nobler careers in politics, the Church, and the military. Toil and manual labor were left to lower classes. Thus sharp class distinctions remained as the social mark of Latin America. On one side, privileged minorities and land-owning oligarchs thrived on wealth and power, while on the other, poor and exploited illiterate masses sank into misery.

Tied to long-held advantages, most Latin American rulers favored the colonial protectionism that shut the area off from healthy competition. These barriers made local production inefficient and costly, and remained largely unmodified by Latin American political independence.

At that juncture, the two arms of the Western hemisphere followed opposite directions.

Geared to trade and economic liberty, the United States chose political union. Shackled by commerce limitations, Latin America split itself into numerous states even though all shared racial, historic, cultural, and religious roots.

While the United States was removing obstacles to the free flow of goods, services, and people, the new Latin American countries closeted themselves within rigid trade, customs, and exchange barriers.

The results are eloquent. Under a free economy within a huge national market, the United States has grown to unparalleled levels of affluence and power.

Largely isolated, the disunited members of the Latin American community continue to be subjected to regional conflicts, civil wars, and recurrent military rule. Rigid class distinctions have hindered the emergence of a meaningful middle class. Deprived of local markets of adequate size, Latin American industries did not attain rewarding proportions, and local production became largely confined to basic raw materials and agrarian exports.

In addition, Latin American governments claimed for themselves not only the proprietorship of natural resources but also the monopoly to exploit them. In the process, private enterprises in mining, communications, utilities, insurance, and banking were nationalized. Private sectors were thus relegated to secondary economic roles, though remaining as primary targets for taxation. The resulting and ever-growing operating deficits of state-run enterprises often forced governments to resort to the monetary printing presses that fuel inflation.

Squeezed between state bureaucracies and privileged oligarchies, private savings and investments languished, and capital flight abroad mounted. Inevitably, when unleashed inflationary pressures triggered wage and price controls, real Latin American growth became adversely affected and unemployment grew.

The evidence of the American hemisphere is conclusive.

The adoption of a free market economy not only sustains and develops political liberty, but also promotes economic growth and prosperity. Conversely, state intervention in the economy leads to bureaucracy, inefficiency, and corruption in the short term, and to poverty, social injustice, and political unrest over longer periods.

The Debt Crisis

Flooded with petrodollars in the 1970s, impulsive international bankers joined short-sighted Latin American officials to finance massive projects which often responded to nationalistic pride rather than to sound economic reasoning.

Notwithstanding past imprudence and errors of lenders and borrowers, the Latin American debt burden has grown to pose a formidable

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threat. Strained Latin American financial reserves cannot meet existing payment schedules unless they are rescheduled and considerable infusions of new credits are added.

To assure, however, that new financings will not be throwing good money after bad, all new credits should be conditioned to the implementation of growth-oriented local policies that allow greater economic roles to private sectors in the borrowing countries.

The current equation in Latin America involves an economic frame built by official controls and regulations, by numerous government-owned monopolies, and by large military expenditures. This frame holds a picture of anemic savings, feeble investments, large unemployment, chronic fiscal deficits, unabated inflation, and widespread poverty.

To improve the picture, something drastic must be done with the frame. For the reversal of deteriorating conditions will come only after Latin American states undertake a realistic program to attain the final Latin American economic liberation.

The treatment must comprise prescriptions that may be unpalatable to politicians and bureaucrats. It must begin with a prompt shift of Latin American government roles. From being state capitalists, they must switch to becoming mere overseers of a totally free market economy.

Latin American states should gradually but decisively transfer government-owned enterprises to the private sector as soon and as widely as possible. Such privatization should look for local sources when available or to foreign investors when necessary. The public sector should retain only what is essential to assure an orderly transition and to prevent abuses and frauds.

To promote savings and to encourage investments, sensible tax reform with realistic fiscal incentives should be enacted. And to reduce fiscal deficits, military spending should be drastically cut. The resulting savings could be diverted to eventually eradicate illiteracy in vast areas of Latin America through better education.

To expand local markets and to foster international trade, artificial exchange rates and protectionist barriers should be eliminated.

COLOMBIA TOURIST BOARD

Statue of Simon Bolivar (1783-1830) in Manizales, Colombia. Bolivar, leader of South American independence, inaugurated the first Pan-American Conference. The conference was organized in the interests of peace and for the improvement of commercial relations among the former Spanish colonies. Despite the efforts of Bolivar and other leaders since, Latin America has remained disunited.

The removal of artificial exchange rates and trade barriers would soon establish propitious conditions for the development of a free, stable, and unified Latin American currency. Additionally, the dismantling of inter-state trade and exchange barriers should soon result in a freer and wider interchange of capital, labor, and production within the whole region.

Despite past attempts such as that of Bolivar in Panama in 1824, and more recently that of the Latin American Free Trade Association and of the Andean Pact, Latin America continues disunited economically, financially, politically, and socially. But the hour for a genuine Latin American integration may be at hand.

A Private Inter-American Bank

To accelerate such integration, Latin American leaders should encourage the promotion and establishment of a privately-owned inter-

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American commercial bank. This new private inter-American bank would have branches and operations in every country in the hemisphere. Its capital should be subscribed and paid by private investors of all American states. The bank's management should be under the control of its board of directors with members from the private sector freely elected by the stockholders without any official interference or pressure.

The inter-American bank would operate actively in all banking fields and in foreign exchange, would extend credits in local and foreign currencies, and perform all banking services of large banks headquartered in financial centers like New York, London, Frankfurt, Paris, and Tokyo.

The United States can play a pivotal role in such Latin American endeavors by persuading other industrial countries to liberalize trade and facilitate Latin American exports. For only when they earn sufficient foreign exchange will Latin American borrowers be able to discharge their foreign obligations and pay for needed imports.

These prescriptions may appear ambitious at first. They will probably encounter great skepticism, when not resistance, from the vast interests that currently benefit from the existing restrictions that would be eliminated in a freer market. But common sense begins with the recognition that to share and enjoy wealth, it has to be created or produced beforehand.

The United States has convincingly proved that the best scenario to create wealth lies wherever individual self-interests are freely allowed to take risks and reap rewards in a market economy. It also shows that when free economies are firmly entrenched, political freedoms become inevitable.

Learning from this example, Latin American leaders should now move boldly to help remove all barriers and obstacles to a free market in the region. For once Latin American economies are unshackled, their rapid recovery would soon silence all critics and skeptics. And the ensuing popular support would add irresistible momentum to an irreversible historic trend; a trend toward the eventual integration of all America. □

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Welfare States at War

by Hans F. Sennholz

The new international crises sparked in the Middle East, and the constant danger of another world war, need not surprise the student of contemporary international relations and economic policies. The ideology of socialism and interventionism has swayed our foreign relations, and the policies of Welfare States have destroyed international peace and order. . . .

Absence of individual freedom and free enterprise makes for economic nationalism and international conflict. By fundamental nature and objective, the Welfare State controls private property and limits individual freedom in order to distribute economic spoils and privileges to pressure groups. . . .

Pressure groups of producers expect the government to increase the prices of their products or services, with utter disregard for the economic interests of the vast majority of their own countrymen and of many foreign producers. In most cases of welfare legislation the favored group's foreign competition is either eliminated entirely or severely curtailed. This is economic nationalism, the most important source of international conflict. . . .

In sharp contrast to the international conflict between socialist governments in this Mideastern affair is the peaceful coexistence of laissez-faire nations, which realize the ideals of personal freedom of choice, private ownership and control of property, and peaceful exchange in a competitive market. Under this concept, the sole function of government is the protection of its own people from domestic peacebreakers and from foreign aggressors. Such a government would wage war only to defend the lives and property of its own citizens. This means that it should not participate in foreign wars that grow out of economic nationalism. For such warfare only destroys and does not protect life and property.

While an individual peacebreaker can easily be punished and isolated in a penitentiary, a collectivist nation conducting policies of economic nationalism can be disciplined and subjugated only through a full-scale war and subsequent occupation of its territory. To discipline a nation that refuses to embrace the doctrines of freedom and free enterprise is an endless and hopeless task.

A citizen of a free country who goes abroad should know that he travels at his own risk. Crossing the border of his state and entering socialist or interventionist territory is to leave law and order behind. He risks transgressions by the foreign state upon his life, liberty, and property. A businessman who invests his funds in collectivist territory must consider the risks of expropriation, foreign exchange control, confiscatory taxation, and many other "welfare" measures. He is beyond the protection of his capitalist government. He is on his own.

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The Principles of World Leadership

Despite curbs and checks on its power, and its inaction in a world of conflict, a government designed for freedom is a natural leader. The creative power of a free nation by far excels that of socialist or interventionist countries of similar size. And it is productive strength that lends the position of leadership to a country in a world that is always fighting or preparing to fight.

But leadership that exerts potent influence toward world peace and prosperity springs from a more important source than material and military might. True leadership grows out of impeccable behavior and moral conduct. . . .

Above all, such a nation must refrain from any act of economic nationalism. It must not harm any other nation through "welfare" policies of its own. It must adhere to its own design for freedom. To reprimand other nations for policies of economic nationalism while waging economic war upon its own neighbors would be hypocrisy and sanctimony. . . .

A leading nation must also reject the immoral principle that one act of economic nationalism by one government sanctions the nationalistic policies of all other governments. This is the principle that crime becomes righteousness if a previous crime has remained unpunished. But this very assumption underlies many prevailing notions concerning foreign affairs.

World leadership demands that we should openly judge world events and explain the fallacy of every act of economic nationalism. If a foreign government contemplates or embarks upon economic aggression through "welfare" legislation, we should call attention to the inevitable harm inflicted upon other nations. We need not intervene forcibly, for nations cannot be coerced to peaceful coexistence. Only a change in political and economic outlook can bring this about.

Naturally, we would sign no treaty with a government that has disregarded its own agreements and torn up its own charters. Nor would we assist any government that nationalizes private industries, for then we would be helping to promote collectivism and ultimate destruction. There could be no point in our extending diplomatic recognition to any government that indulges in economic nationalism.

Finally, world leadership requires that we constantly defend the principles of individual liberty and free enterprise. At every opportunity we should call out to the world that only competitive private enterprise can lead to peace and prosperity. We have a glorious history of individual freedom and safety of property—the absence of nationalization and confiscation by an omnipotent state. Our recent excursions toward the Welfare State endanger our record—and ourselves. But if we will correct that trend, then with pride we can demonstrate to the warring world that individual liberty is the only durable foundation for peace and prosperity. □

IDEAS ON LIBERTY

From Peace to War

To the extent that a society limits its government to policing functions which curb the individuals who engage in aggressive and criminal actions, and conducts its economic affairs on the basis of free and willing exchange, to that extent domestic peace prevails. When a society departs from this norm, its governing class begins, in effect, to make war upon the rest of the nation. A situation is created wherein everyone is victimized by everyone else under the fiction of each living at the expense of all. Power differentials in society are increased and aggravated, popular discontent mounts, and the ruling group seeks for a device to restore "unity." War is, of course, the time-honored national unifier.

—EDMUND A. OPITZ

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The Morality of Good Intentions

by Robert James Bidinotto

Cultural commentators have long remarked on the enormous generosity and compassion of the American people. Significantly, it was the era of *laissez-faire* capitalism which saw the rise of the great philanthropies. Not only were men more inclined to feel benevolent; with the unleashing of the wealth-producing power of free markets, many men, for the first time, possessed the means to help others if they wished. Meanwhile, the capitalist system has led to an enormous increase in living standards worldwide, precisely to the extent it has been permitted to exist. It is no exaggeration to say the poorest areas on earth are those most insulated from the benefits of individualism and capitalism.

Judged by consequences alone—absolutely or comparatively—the capitalist system would have to be regarded as a magnificent historical success. Thus there has been, in recent decades, a significant retreat from anticapitalistic arguments based upon its allegedly negative *consequences*. This does not mean that attacks upon the free society have ceased—only that the grounds for them have been subtly shifting. As the *Encyclopaedia Britannica* (1964) put it: "Few observers are inclined to find fault with capitalism as an engine of production. Criticism usually proceeds either from moral or cultural disapproval of certain features of the capitalist system, or from the short-run vicissitudes (crises and depressions) with which long-run improvement is interspersed."

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If not consequences, then, what? What does this "moral and cultural disapproval" consist of? Before we get to the root of today's remaining hostility to individualism and capitalism, let us consider the residual criticisms against their alleged negative consequences.

A central argument against capitalism stems from a vestigial "conflict-of-interest" doctrine, resurrected by Karl Marx as his theory of "class conflict." Under capitalism, he wrote, "exploitation" was the rule; and the resulting class tensions would lead inevitably to a "Communistic revolution." (See *The Communist Manifesto*.)

But significantly—and contrary to his own prediction—it was not capitalistic nations which experienced communist revolutions, but anticapitalistic dictatorships. Pre-revolutionary Russia, China, Cuba, Afghanistan, Nicaragua, and the now-Marxist regimes of Africa could not remotely be described as "capitalistic"; and the nations of Eastern Europe fell, not to communist revolutions, but to invading Soviet armies.

A society of state-imposed status *is* vulnerable to violent revolution; a society of individual opportunity and individual rights is *not*. Free societies must first be eroded intellectually and institutionally before they are ripe for insurrection; but by then, they are no longer free societies. What Marx did not grasp was that individualism is the antithesis of exploitation. And the general benevolence and high living standards associated with capitalism largely immunize truly capitalistic nations from social instability.

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Today, Marx's "exploitation" theory is dead as a plausible critique of individualism and capitalism. It owes its last gasps not to empirical evidence, nor to intellectual theory, but to a vague sense of envy of "the haves"—and to those "moral and cultural" considerations we shall address in a moment.

What Causes Crises?

How about the argument that capitalism leads to "short-term vicissitudes" such as crises and depressions? This argument held some plausibility during those periods—such as the Great Depression—when, to many, capitalism seemed to have failed. But since that time, several things have thrown that argument into disrepute. First is the wealth of literature now demonstrating that it was government intervention in the marketplace—not the marketplace itself—which brought about such crises. Second is the generally-conceded failure of government interventionism to prevent such crises, or to end the purported "chronic" problems of capitalism (e. g., unemployment, poverty, the business cycle, and so on).

The failure of welfare-state interventionism is generally, if grudgingly, acknowledged. Meanwhile, the even more disastrous failures of collectivist economies have left capitalism's critics in the position of "the pot calling the kettle black." Even if these criticisms of capitalism's inevitable "downswings" were valid, most people now realize that collectivism means economic collapse, unrelieved by any "upswings"—hardly an enticing alternative. A similar example concerns the attack on capitalism for fostering monopolies—a charge coming from those who would centralize all economic planning in a single agency in Washington.

Again, whatever following these arguments retain is rooted in the more basic "moral and cultural" concerns cited by the *Britannica*.

Then there is the argument that capitalism causes the "alienation" of the worker. This is a kind of bridge between the economic, and the moral-cultural critiques. Even if capitalism gives the worker a higher income, critics charge, it does so only by imposing upon him meaningless, uncreative tasks in mass-production assembly lines, depriving him of any sense of identity, achievement, or control over his own life.

This, coming from advocates of central planning and individual sacrifice to the collective, is transparent hypocrisy. The rightless, voiceless workers of socialized economies remain mired in state-directed drone work—or, as in Poland, are threatened with Soviet invasion for demanding their rights. But meanwhile, American industrialists, competing for manpower in the free labor market, are exploring new methods to restore individual responsibility and creativity to the work place. And more and more repetitious tasks are being automated, leaving to people the creative tasks no machine can perform. The very market system which purportedly causes worker "alienation" is facing and resolving the problem—just as it competes to fulfill every other market demand.

Perhaps the low point in anticapitalistic critiques came during the 1970s, with the ecology crusade. From the brain-cracking abstractions of dialectical materialism, which charged capitalism with exploitation and historical irrelevancy—the collectivist argument had collapsed to shrill, apocalyptic declarations that capitalism was creating smog, dirty water, and dwindling numbers of California condors. This, coming from those who do not utter a word about mass murder in communist Cambodia, enforced starvation in communist Ethiopia, scorched-earth genocide in communist Afghanistan, or massive environmental despoliation in communist Russia.

Those who continue to reject individualism and capitalism—as the *Britannica* admits—seldom claim the superior *consequences* of socialism or even the "mixed economy" any longer. In fact, to argue the "evil" of the market economy, and the relative "good" of collectivism, one must dispense entirely with discussions of empirical consequences. This means appealing to some alleged "morality" in which *consequences are irrelevant:* an ethical premise which exonerates collectivism and condemns capitalism *in spite of the consequences*.

One might call this premise "the morality of good intentions."

Every proponent of the free society has expe-

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rienced the exasperation of arguing with an adversary who seems immune to facts, evidence, logic, proof. The morality of good intentions is the immunizing agent. Facts, evidence, logic, and proof are all *irrelevant*. What matters is one's moral intuitions—his "good intentions."

Good Consequences from Good Intentions?

The morality of good intentions takes two forms. In its "soft" form, it still pays lip service to intending good consequences—but perfunctorily, and in spite of all evidence to the contrary—as if actual results were, somehow, beside the point.

For example, the die-hard interventionist proclaims his intention to raise the income of inner-city black youths via minimum wage laws—a good consequence. But does he seem excessively concerned that the minimum wage seems to exacerbate black teen-age unemployment? He advocates rent control, with the stated intention of permitting the poor to have access to affordable housing. But does he seem distraught that the stock of available housing in rent-controlled areas is curtailed? He demands economic sanctions against South Africa for its racist apartheid policies. But does he hesitate when it is argued (even by many South African blacks) that the resulting economic hardships will fall mainly on the black majority? He would ban "home work"—in-home production by garment makers—allegedly to prevent their "exploitation" by unscrupulous employers. But does he reconsider when they cry that working at home is the only viable way they can generate critically needed incomes?

In these, and scores of similar instances, the answer has frequently been a resounding "no." The "soft" form of the morality of good intentions pays lip service to good consequences—but closes its eyes to actual results.

It is important to distinguish the person holding this premise from the person who, from ignorance or confusion, honestly believes that interventionism or collectivism leads to good consequences. The point here is that, today, the ranks of the *knowledgeably* innocent advocates of statism are rapidly shrinking—and what is left are, quite often, those to whom the effects of their proposals are only a secondary concern.

"Hard" Intentionalism

The "hard" form of this premise totally divorces moral intentions from consequences. The hard-core "intentionalist" dismisses any concern for effects, blindly and exclusively focusing on a sense of duty—a duty to follow some moral edict regardless of context, in spite of consequences. This premise leads to the psychology of the fanatic, as described in Eric Hoffer's *The True Believer*. The hard-core "intentionalist" expresses only the most remote concern for consequences—usually, some vague, distant utopia. But this is, in most cases, a rationalization. His real satisfaction comes from a sense of "doing the right thing"—even when "right" has, in his mind, no clear connection with reality.

One exponent of this "hard" intentionalism was Lenin. In *Modern Times*, Paul Johnson cites some revealing facts about Lenin's mentality. At age 22, Lenin persuaded friends against collecting money for famine victims, since their misery might help them "reflect on the fundamental facts of capitalist society." Trotsky described him as a Robespierre and his methods as Jacobin; another contemporary called him an "illegitimate child of Russian absolutism." In any case, the direct consequence of his ideas on real people meant nothing to Lenin. "We'll ask the man, where do you stand on the question of the revolution. Are you for it or against it? If he's against it, we'll stand him up against a wall." All that mattered to Lenin was the *idea* of a communist society—an abstraction to which mere humans were sacrificial offerings.

It is thus pointless to argue with proponents of "the morality of good intentions," hard or soft. Facts, reasons, evidence, logic, are all beside the point. What matters is only their sense of moral duty—an unshakeable loyalty to some moral premise severed from reality. The reward for such loyalty does not lie in the results: only in a feeling of self-righteousness, of "being right."

Consider, now, the "intentions" of many of today's anti-capitalists. Declaring their desire

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for a society based on "compassion" and "benevolence," they condemn individualism and capitalism—not for their results—but because they are not based upon such compassionate *intentions*.

"It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest," wrote Adam Smith. "We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." And this is precisely the problem—say the collectivist proponents of "good intentions."

For instance, the following appeared in a letter to a newspaper: "*Webster's* . . . defines capitalism as 'the economic system in which the ownership and exploitation of wealth are left largely in private hands.' *Webster's* further defines exploitation as the way to 'turn (something) to one's own advantage; utilize selfishly.' This . . . is a very good reason to question the merits of capitalism."

Observe the nature of this all-too-typical moral criticism. There is no mention of the actual effects of capitalism—or of alternative systems. All that matters is the *intention* underlying the system . . . an intention which is not primarily "compassionate." Remaining unasked, hence unanswered, are the questions: Why is an action which enhances one's well-being evil? And why is compassion alone the essence of morality?

This gets to the crux of the modern assault on capitalism. Perhaps, admit collectivists, capitalism delivers the goods; perhaps it benefits the masses; *but that isn't its intention*. Far more "moral," they believe, to have a collectivist system which *intends* compassion and fails to deliver, than one which *intends* "selfishness" and benefits all!

Fortunately, there is no dichotomy between capitalism's moral and practical aspects. Capitalism is not simply the only practical social system; it is the only social system based upon *moral responsibility* and *benevolence*.

The heart of the "morality of good intentions" is irresponsibility. It requires of its practitioners no more than a feeling or intention. Moral responsibility requires far more. It requires one to reject hypocrisy by acting upon his convictions and intentions (integrity). It requires one to concern himself with the real-life truth or falsehood of his convictions (honesty). It requires one to consider and accept personal accountability for the social consequences of his actions (justice).

Self-Responsibility

The essence of the philosophy of individualism is self-responsibility. An individualist accepts full moral responsibility for forming reasoned judgments, and for living by the work of his own mind. He knows that nature, to be commanded, must be obeyed—that whatever values he seeks must have a basis in the natural requirements of human well-being. He knows that his survival and success depend ultimately on his integration of ends and means, values and virtues, practice and principle. He knows they demand his rigorous concern for facts, and entail his total personal accountability. In short, he grasps that individualism means integrity, honesty, and justice—and that to reject these natural laws is self-defeating.

Moral responsibility is the core of the capitalist system. In every aspect, capitalism requires men to live in accordance with their natures as productive, self-responsible moral agents. When socialists sniff that capitalism is only concerned with "the bottom line," they are rebelling against the fact that capitalism—mirroring reality itself—is focused on *consequences*, not mere intentions. To survive, man cannot merely wish for his means of survival, but must produce them. Likewise, to succeed under capitalism, one must do more than simply "mean well" (who doesn't?). One must produce and trade real goods and services others want and need. Capitalism is the only social system which takes cognizance of human nature and the requirements of reality.

Every other social system—from fascism to feudalism, from imperialism to socialism—attempts to by-pass the moral requirements of individual human life. In the place of integrity, honesty, and justice, they demand conformity, obedience, and parasitism. Yet because reality demands these virtues as the price of survival, the only option is systematic plunder of those who *do* assume their moral responsibilities.

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Deep down, even die-hard "good intentionalists" know that "meaning well" will not feed, clothe, or shelter anyone. Even they know that necessities and luxuries must be produced and provided by those who *have* assumed the moral responsibility to do more than "mean well." Hence their eagerness to concoct social systems which harness morally responsible individuals in service to *their* "good intentions." Such a system indulges them the luxury of feeling self-righteously moral through intentions alone—while others must labor to turn those intentions into reality.

But is their motive really a compassionate desire to help— or simply the desire to feel compassionate? If it were otherwise, why do they stubbornly resist decades of evidence demonstrating the catastrophic consequences of their policies? No one can forever claim to be *benevolent in spite of the consequences*. And while it is impossible to read minds, one must wonder at the stubborn blindness of self-styled moralists to their own chronic disasters. In my opinion, "the morality of good intentions" constitutes their blinders.

What About Benevolence?

If the moral core of capitalism is self-responsibility, then what about benevolence? Adam Smith was right: Under capitalism, most people's foremost priority is rarely "service to others." But that does not imply that their aim is to *exploit* others. Nor does it mean that benevolence and compassion are incompatible with a self-interest rooted in self-responsibility. In fact, only a self-responsible individual can reject the notion that human interests are inherently at war—and is thus free to feel general benevolence. Moreover, only productive people who are allowed to keep what they produce have the financial means to act upon compassionate feelings for the helpless.

Today, the erosion of individualism and capitalism is bringing back the very misanthropic attitudes which they once vanquished. Under redistributionism, producers are becoming increasingly incensed over their exploitation. Many, equating today's predatory welfare state with "capitalism," are coming to accept that "the system" is "dog-eat-dog." More and more are returning to the view that there *is* an inherent "conflict of interests" among men.

Among the casualties of this trend are, of course, economic efficiency and productivity. But the less obvious casualties include honesty, integrity, and justice. Honesty—as men rationalize their parasitism. Integrity—as they abandon their principles of working for what they want. Justice—as they start to live at the expense of the shrinking number of producers.

But there are even less tangible casualties—ironically, the very qualities which government intervention was supposed to nurture in the "heartless" capitalist system: benevolence, compassion, and good will.

As human survival comes to depend less on personal responsibility, and more on political pressure-group warfare, men learn to fight for their livelihoods by joining special interest groups. Like rodents fighting for cheese, men are reduced to feuding over govenment "benefits." Each resents paying more in taxes than he receives from the public troughs—and resents the unearned benefits going to others. So he comes to regard his fellow men, not as friendly competitors, but as enemies in a battle for survival.

One cannot feel benevolence under a system of "loot or be looted." One cannot feel compassion when punitively taxed so that others may receive the plunder. One cannot feel good will toward those having a legal stranglehold on his life, liberty, and property.

The economic case for capitalism has never been refuted. But it is seldom economics that is disputed anymore. The empirical case against collectivism is now openly discussed. But it is rarely the facts that are at issue today.

Increasingly, the last remaining prop for collectivism is the creaking crutch of a splintering morality—a morality of empty intentions. It is the last impediment to a fully capitalistic society.

For the self-responsible, confronting and banishing "the morality of good intentions" is an ethical imperative. And besides its obvious benefits to ourselves, such a crusade would constitute our greatest act of true compassion for the tortured human race. □

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The Rhetoric of Antitrust

by Thomas J. DiLorenzo

In theory antitrust regulation promotes competition in the marketplace but in reality its results are often anticompetitive. It is routinely used by businesses having problems competing as a tool to keep their competitors from cutting prices, expanding production, and differentiating their products. In short, the conventional view that antitrust regulation is in the "public interest" is a myth. The rhetoric of antitrust is almost always emotional, but rarely logical. And emotion all too often dominates logic in matters of public policy.

One early example of antitrust rhetoric that was clearly harmful to competition was the charge by Judge Learned Hand in the 1945 case, *United States* v. *Aluminum Company of America,* that Alcoa violated the antitrust laws because of its practice of "exclusion." The judge explained Alcoa's guilt as follows: "We can think of no more effective exclusion [of competitors] than progressively to embrace each new opportunity as it opened, and to face every newcomer with new capacity already geared into a great organization having the advantage of experience, trade connections, and the elite of personnel."[1] By putting together a "great organization" whose products consumers *voluntarily* chose over others, Alcoa was found guilty of "anticompetitive" behavior. There are literally hundreds of examples of this type of "reasoning," which has been called antitrust upside down.[2]

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Although there have been some exceptions, things apparently haven't changed significantly over the past forty years. Antitrust rhetoric continues to defy logic.

As one example, in 1985 the city of Long Beach, California filed a $350 million civil suit against six oil companies, accusing them of "conspiring to depress the price of crude oil pumped from city tidelands in violation of state antitrust laws."[3] The suit accuses the companies of "posting prices at unreasonably low and noncompetitive levels below fair market value," and of engaging in "reciprocal exchanges, swaps and buy-sells . . . designed to . . . eliminate . . . price competition of the marketplace." This is par for the antitrust course: lawsuits alleging that consumers are being harmed by *lower* prices.

The reality of this suit is that consumers would be harmed by higher energy prices; but Long Beach political authorities must feel that such harm is justified if the city government can bring in more revenue (the rental fee for the tidelands is based on the market value of the oil pumped from them). Thus, the suit alleges that by dropping their prices the companies cost the city at least $350 million in foregone revenues and seeks treble damages.

Although forty years apart, these cases have at least two things in common: 1) They contain rhetoric that is misleading, incomprehensible, or even insulting; and 2) the rhetoric is used to rationalize policies that impede competitive behavior and *raise* prices, all in the name of protecting consumers.

Such rhetoric appears to be the rule rather

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than the exception. Let us examine a few of the more common abuses that have become widely accepted and have helped establish the myth of antitrust.

Antitrust Rhetoric Versus Reality

Antitrust regulation has always been concerned with corporate mergers. An entire vocabulary has developed as a means of criticizing them.

The domino effect. Corporate mergers are often opposed on the grounds that they sometimes lead to a "domino effect." That is, a successful merger spawns other mergers with the ultimate effect being a reduction in the number of firms in an industry and weaker competition. This is one reason why "merger waves," which have occurred periodically since the late 19th century, have been so widely criticized. According to this line of reasoning, an appropriate public policy is to nip the problem in the bud—to legally prohibit the first merger from taking place—rather than allowing an industry to become monopolized and then, after the fact, seeking a remedy such as divestiture.

This is an appealing and popular theory, but upon close examination it suffers from a number of fatal problems. First, the mere number of business firms in an industry does not necessarily have anything to do with monopoly power. Research over the past two decades has shown that industrial concentration is most often caused by superior efficiency on the part of one or a few firms in an industry, not monopoly.[4] Laws and regulations that prohibit mergers, therefore, have meant the sacrifice of efficiency and lower prices.

Big business is not necessarily bad, for substitute goods, international competition, and potential competition all limit the ability of an unregulated firm to charge monopoly prices. For example, even though the domestic automobile industry is composed of only a few firms, who would seriously accuse it of monopolizing its markets in light of fierce international competition?

A second problem with the domino theory is that the root cause of many merger waves is efficiency: one efficiency-enhancing merger encourages others. If one merger allows the newly-restructured firm to become more efficient due to economies of scale, for instance, other firms must follow suit to remain competitive.

A third problem is that the domino theory assumes that judges, regulators, economists, or politicians know something they cannot possibly know: the most efficient organization of an industry. That is, they presume to know whether three firms, thirteen firms, or thirty firms is the most "appropriate" number and to possess knowledge of the most efficient scale of each firm.

This knowledge can only be gleaned, however, by trial and error in the marketplace. Firms are constantly changing their size, structure, and methods of operation in order to discover the most cost-effective (and therefore profitable) procedures.

To legally ban a merger on the grounds that it would lead to a "nonoptimal" organization of industry is pretentious. To make such an argument is to claim to know what can only be discovered by allowing the merger (and the entire market process) to take place. Such pretentiousness is at the heart of the U.S. Justice Department's arbitrarily-drawn "merger guidelines," whereby it threatens to legally block any merger that might result in any one firm making a certain (arbitrarily-chosen) share of market sales.

Foreclosure. One economist recently complained that by not challenging enough vertical mergers the Reagan administration was "discouraging competition" by "gutting the antitrust statutes."[5] This view reflects the conventional wisdom regarding vertical mergers, which occur when a manufacturer merges with a raw material supplier or a distributor. Such mergers have often been banned by antitrust authorities because purchasing a raw material supplier would allegedly "foreclose" rivals (of the manufacturer) from the raw materials. To merge with a retailer is viewed as equally evil, for it purportedly cuts off competitors from channels of distribution.

The absurdity of this reasoning is the assumption that increased purchases of raw mate-

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rials by one business means there is less (or none) for others. Economic activity, in other words, is a zero-sum game according to this view. But as long as there is a demand for the raw materials someone will supply them to whoever wants them. Consider the example of a steel manufacturer that purchases a coal company. It will profit by having its own easily-accessible coal supply as well as by selling coal to others, including its rivals. After all, if it doesn't sell the coal, someone else will. It is not clear why vertically-integrated steel manufacturers or other coal producers should be expected to turn their backs on profit opportunities. Whenever there is a vertical merger nothing would prevent other coal companies from doing additional business, so that no one is "foreclosed" from anything.

What about a manufacturer that merges with a distributor? This sometimes occurs because it is cheaper for some businesses to retail their goods through their own subsidiaries rather than independent distributors. It also gives the manufacturer more control over marketing strategies and procedures. This might "foreclose" other firms from using that particular distributor, but so what? Nothing is stopping them from integrating.

When a corporation runs to the antitrust authorities and requests that they block a vertical merger by a competitor it is a sure sign that the merger would permit lower prices or better product distribution. After all, if such mergers really were anticompetitive and caused higher prices one would hardly expect to observe competitors bringing antitrust suits. They would either be pleased that their competitor is raising his prices or would happily raise their own prices as well.

Squeezing. Vertical mergers between, say, a steel producer and a coal mine are sometimes objected to on the basis that nonintegrated steel producers are allegedly "squeezed" between (their own) higher coal costs and lower steel prices charged by the integrated producer. This is said to create a monopoly.

The problem with this argument is that there is nothing stopping any other steel producer from becoming vertically integrated if that is what it takes to become more efficient. Moreover, if "squeezing" causes lower costs and prices, what's wrong with that?

Antitrust complaints of squeezing are typically made by businesses who prefer not to compete by cutting costs and dropping prices. This charge is especially specious in industries where there are many firms, close substitute goods, and international competition. The steel industry is a good example.[6]

Price discrimination. Section 2 of the Clayton Antitrust Act outlaws price discrimination, or charging different prices for goods "of like grade and quality" in different geographical markets if the effect is "to substantially lessen competition." Regulated or government-owned monopolies such as public utilities have long engaged in this practice as a way of exercising their *government-sanctioned* monopoly power. The Clayton Act does not apply to these obvious monopolies but has been used to regulate the pricing practices of private businesses in markets where monopoly power is much less obvious, if not nonexistent. Even though price discrimination is, in theory, a means of *exercising* monopoly power, not obtaining it, in practice the enforcement of the doctrine is used as a regulatory tool against businesses where there is no good reason to suspect monopoly power to even exist.

The Clayton Act is a lawyer's dream, for it is left up to the courts to decide whether products are of "like grade and quality." This is inherently difficult, however, for consumers may view the quality of each item differently, depending on their own subjective preferences. For instance, even if two commodities are physically identical people may assign different quality levels to them because of the commodity's association with a popular brand name. It is not clear that such differences can legitimately be ignored. In the minds of consumers the products would not be identical. In short, deciding what constitutes "like grade and quality" is not as easy as it seems, even for items which can be graded chemically or by other physical means.

The Clayton Act does allow for price cutting in one geographical market if the price reduction occurs because of cost reductions or follows "in good faith" the price reduction of a

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competitor. The problem, however, is that if one's competitor initiates the price cutting, the competitor can be sued for price discrimination if the price cut was not "in good faith." Furthermore, a seller has no sure way of knowing that his competitor's price cut was in good faith without access to the competitor's cost data. A seller does not know whether the price reduction he is about to meet is itself legal. Meeting an illegal discount has been ruled illegal.[7]

Thus, if one initiates price cutting one can be sued for violating the Clayton Act; if one raises a price in one geographical market there is also the possibility of being sued; ordinary competitive practices like quantity discounts are sometimes ruled out;[8] and if prices are held constant in all markets it is possible a price-fixing conspiracy case can be brought. No matter what a businessman does with his pricing policies he can be dragged into court for violating the Clayton Act. In the name of competition, "good faith," and "consumer protection" this act impairs price competition. It is only because of modest enforcement levels that the law hasn't eliminated more price competition.

Predatory pricing. This is where a business is said to have a "war chest" of monopoly profits that it falls back on while pricing its product below cost temporarily in order to drive its competitors out of the market. However, economists have had a difficult time documenting such episodes,[9] and in theory it would appear to be unwise for any businessman to try to monopolize a market in this way. Even if a gas station owner, for instance, drove the station across the street out of business there is nothing preventing consumers from avoiding "monopoly" prices by going elsewhere. Moreover, if a "local monopoly" is established the monopoly profit would quickly attract new businesses, eventually eliminating any above-normal profits. There is also the possibility that a competitor will only temporarily shut down during the price-cutting period and then go back on the market when the higher prices are charged, thereby denying the "predator" any long-term gain. In short, predatory pricing guarantees a short-term loss of money, while the prospects of ever making long-term monopoly profits are bleak at best.

Furthermore, the reasoning behind the predatory pricing theory appears logically inconsistent. It assumes a "war chest" of monopoly profits to already exist which is used to finance the practice of temporarily pricing below cost. But how are the monopoly profits generated if the monopoly is supposedly created and maintained in the first place by predatory pricing?

The notion of predatory pricing has spawned endless litigation, and many of the subsequent judgments have been arbitrary, subjective, and damaging to competition. The problem is that if company A brings an antitrust complaint against company B it is known with certainty that, up to that point, consumers have benefited from company B's price cuts (and company A's as well if it followed suit). But for a court to deem such price cutting as "predatory" requires knowledge by the court of company B's *intent*. Did it cut price just to compete, or is it acting as a predator? This is impossible to know with certainty. Despite all these problems, predatory pricing has become part of the antitrust folklore. And the problems are empirical as well as theoretical. In the first (and probably most famous) predatory pricing case, Standard Oil of Indiana, operated by John D. Rockefeller, was found guilty of monopolizing the petroleum market through predatory pricing, among other means. However, John McGee[10] has shown that no evidence was ever even submitted to the courts that Rockefeller even attempted it.

Concluding Thoughts

Much of the rhetoric of antitrust cannot withstand close scrutiny. Nevertheless, it has been employed for the past 95 years to rationalize policies that are increasingly recognized as counterproductive. This should have been expected, for even the rhetoric spoken during the Congressional debates over the first Federal antitrust law, the Sherman Act of 1890, reflect specious arguments. Contrary to the standard account of the origins of antitrust, the 19th-century trusts were *cutting* prices and expanding production rapidly.[11] But the Act's sponsor, Senator John Sherman, attacked them because he felt that such price cutting interfered with the government's protectionist trade policies.

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"The trusts have subverted the tariff system; they undermined the policy of government to protect . . . American industries by levying duties on imported goods."[12] Congressman William Mason, who played an important part in the House debates over the Sherman Act, condemned the trusts because even though they "made products cheaper," they "destroyed legitimate competition and have driven honest men from legitimate business enterprises."[13] This is classic antitrust doubletalk: cutting prices is "bad" because it "destroys competition." Price cutting is, of course, the essence of competition and its chief benefit to consumers.

In short, we need to be more skeptical of antitrust rhetoric. A current example of the potential for emotive rhetoric to dominate discussion of the dangers of big business is the emerging public policy discussion about corporate takeovers. Just consider some of the rhetoric involved: raiders, poison pills, sharks, shark repellent, white knights, golden parachutes, greenmail, and so on. Such rhetoric tends to overshadow the real issues of consumer and stockholder welfare with arguments that often cannot be supported by either logic or factual information.

In summary, it is instructive to recall what economist Alan Greenspan said of antitrust more than twenty-five years ago:

> The world of antitrust is reminiscent of Alice's Wonderland: everything seemingly is, yet apparently isn't, simultaneously. It is a world in which competition is lauded as the basic axiom and guiding principle, yet "too much" competition is condemned as "cutthroat." It is a world in which actions designed to limit competition are branded as criminal when taken by businessmen, yet praised as "enlightened" when initiated by the government. It is a world in which the law is so vague that businessmen have no way of knowing whether specific actions will be declared illegal until they hear the judge's verdict—after the fact. In view of the confusion, contradictions, and legalistic hairsplitting which characterize the realm of antitrust, I submit that the entire antitrust system must be opened for review.[14]

It is high time we followed this advice. □

1. *United States* v. *Aluminum Company of America,* 148 F.2d 416 (2nd Cir. 1945), p. 431.
2. See Dominick Armentano, *Antitrust and Monopoly: Anatomy of a Policy Failure* (New York: Wiley, 1982).
3. "California City Files Suit Against Oil Firms," *Washington Post,* March 5, 1985, p. D-2.
4. Such evidence is contained in H. Goldschmid, H. Mann, and F. Weston, eds. *Industrial Concentration: The New Learning* (Boston: Little, Brown, 1974); and Brozen, *Concentration, Mergers and Public Policy* (New York: Macmillan, 1982).
5. Willard F. Mueller, "Toward Greater Economic Concentration," *St. Louis Post-Dispatch,* August 5, 1986, p. 3-B.
6. For a discussion of such cases see Eugene Singer, *Antitrust Economics* (Englewood Cliffs, N.J.: Prentice Hall, 1968).
7. *Federal Trade Commission* v. *A. E. Staley Manufacturing Co. et al.,* 324 U.S. 746 (1945).
8. In a case in which the Federal Trade Commission accused the Morton Salt Company of price discrimination on the basis of volume discounts, the FTC argued that such practices harmed certain wholesalers (who did not receive the discounts) since they "must either sell at competitive prices and in so doing reduce their possible profits . . . or attempt to sell at higher prices. . . ." See *Federal Trade Commission* v. *Morton Salt Company,* 334 U.S. (1940), p. 43.
9. See John McGee, "Predatory Pricing Revisited," *Journal of Law and Economics,* April 1981.
10. John McGee, "Predatory Pricing: The Standard Oil (N.J.) Case," *Journal of Law and Economics,* April 1958.
11. Thomas J. DiLorenzo, "The Origins of Antitrust: An Interest-Group Perspective," *International Review of Law and Economics,* vol. 5, 1985, pp. 73–90.
12. *Congressional Record,* 51st Congress, 1st Session, Senate, June 20, 1890, p. 4100.
13. *Congressional Record,* 51st Congress, 1st Session, House, June 20, 1890, p. 2558.
14. Alan Greenspan, "Antitrust," in Ayn Rand, *Capitalism: The Unknown Ideal* (New York: New American Library, 1966).

IDEAS ON LIBERTY

The Monopoly Problem

The great monopoly problem mankind has to face today is not an outgrowth of the operation of the market economy. It is a product of purposive action on the part of governments. It is not one of the evils inherent in capitalism as the demagogues trumpet. It is, on the contrary, the fruit of policies hostile to capitalism and intent upon sabotaging and destroying its operation.

—LUDWIG VON MISES
Human Action

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A REVIEWER'S NOTEBOOK

Wilson and His Peacemakers

by John Chamberlain

Arthur Walworth, who won a Pulitzer Prize for his biography of Woodrow Wilson, is not an economist by profession. But in his new book, *Wilson and His Peacemakers: American Diplomacy at the Paris Peace Conference, 1919* (New York: W. W. Norton, 618 pp., $35.00) he leaves no doubt that the economic decisions of those who were more concerned with punishing Germany than in establishing a workable world led directly to World War II.

This conclusion, of course, was established some time ago by John Maynard Keynes, whose *Economic Consequences of the Peace* benefited from Keynes' ringside seat at Versailles. Bernard Baruch concurred with the Keynesian analysis. But it has remained for Walworth to check out the infinitely harrowing details of Woodrow Wilson's failure to make it a just peace in the first six months of 1919.

Walworth sums things up pithily by saying that "the withdrawal of the United States" in 1919 from active peacemaking decisions "left many of the expectations raised by its president unfulfilled. German Social Democrats, striving to operate a new government, were disappointed in their over-optimistic hopes. Contrary to the doctrine of self-determination, they found their population and that of Austria diminished by hundreds of thousands of people of their blood. Instead of sharing in the political reconstruction of the world's society that Wilson had advocated under economic arrangements that would make it possible to engage in productive industry and profitable trade, Germany could look forward only to inflation and bankruptcy."

NEW-YORK HISTORICAL SOCIETY

Woodrow Wilson

Wilson went to Paris with high hopes that he could put some meaning into his rhetoric about making the world safe for democracy. He had enlisted scholars to redraw the map of Europe and to indicate possible mandates for both the Middle East and the colonial preserves of Africa. Ethnic lines and language groupings would be respected. The word, stressed over and over again, was "self-determination." But there were brute facts of geography to be reckoned with, and the disposition of raw materials was not always convenient. Then there were the secret understandings among the European nations that antedated America's entry into the war.

Unable to cope with the wiliness of Britain's Lloyd George and the intense nationalism and Germanophobia of Clemenceau, the "Tiger of France," Wilson put his remaining trust in the League of Nations. The League would do what

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the Treaty of Versailles had left undone. But Wilson sadly underestimated the fact that Europe remained a prey to disruptive forces that were deeply rooted in history. The Czechs were quarreling with the Poles over coal mines at Teschen. The Sudeten Germans, living on a strip of territory that had been awarded to Czechoslovakia for reasons of military safety, were hard to conciliate. In the South Tyrol hundreds of thousands of Germans and Austrians were consumed with acute distaste for the Italian government that had insisted on annexing them. Poland had to deal with Ukrainians in territory that was supposed to protect East Galicia. The Croats and the Slovenes, shoved together in the New Yugoslavia, were in a perpetual state of friction. Bulgaria and Hungary had lost large portions of their native populations. Instead of democracy, dictatorship was to be the lot of many of the small East European countries.

What was important about all this was that it set up a hundred excuses for an Adolf Hitler to build his case against Versailles. Senator Henry Cabot Lodge the Elder could not foresee Hitler. And he knew little about economics. But he knew that the American people had not really been weaned away from a traditional isolationism tempered by the continentalism of the Monroe Doctrine. It did not bother him that, when Wilson left Europe, we were tentatively committed to an active role throughout the world. Our troops were policing the eastern shores of the Adriatic. We had regiments on the Rhine. We had subsidized equipment for the White Russian armies. Herbert Hoover was committed to feeding east central Europe, and Washington had supplied the credits to move the food. All of this compounded the tremendous letdown in Europe when Lodge prevailed upon his fellow Republicans to reject the League of Nations and to refuse to sign the German peace.

It could be accounted a strange thing that Wilson, who had written on constitutional government in a federated system, missed the point that in a world of differing local traditions and languages, to say nothing of religious commitments, federalism is the only possible free unifying force. Clarence Streit, the *New York Times* correspondent at Geneva, the home of the League, caught on to this in the twenties. The contrast between the League and its host government of Switzerland was too striking to be ignored. Beyond the question of a federalism that might have provided the Paris peacemakers with a better model for the Western democracies, Wilson underestimated the portent of Lenin's Bolsheviks. A free Germany was needed as a bulwark against the spread of Leninist doctrine.

But Wilson was right on the central issue: a vindictive peace would prove to be no peace at all. The peacemakers of 1815 did not hold a defeated France responsible for Napoleon's wars, with the result that Europe was able to live for 99 years without a major war. The history of the 19th century might have been repeated if there had been more willingness on the part of Lloyd George and Clemenceau to let Social Democratic Germany live. It was the German inflation forced on a truncated country by wholly unrealistic reparations that prepared the soil for the Nazis.

The organization of the United Nations, unfortunately, doesn't seem to be much better than the League. But at least the U.S., in making peace in 1945, had benefited by the lesson of Versailles. In letting Germany and Japan live without crippling encumbrances, the era of civil wars in the West was brought to a close. The Soviet face-off is another matter. □

ANTITRUST POLICY: THE CASE FOR REPEAL
by D. T. Armentano
Cato Institute, Washington, D.C. • 1986 • 78 pp. • $7.95 paperback

Reviewed by Sylvester Petro

This little book covers a lot of ground, thinly, of course, for there is only so much you can do in 78 pages, but well enough to kill most of the weeds parading under the name "antitrust theory." Professor Armentano takes up one by one the main contentions of the "trustbusters" and shows them all to be mythic and wrongheaded. Since the antitrust laws thus serve no useful purpose, but

Dr. Petro is the author of The Labor Policy of the Free Society *and numerous other scholarly books and articles.*

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on the contrary have done considerable economic and ideological harm, he concludes that they all should be repealed.

Armentano places the antitrust idea among the other accusations of "market failure" which have premised virtually all the noxious interventionist legislation of the last hundred years, beginning with the Interstate Commerce Act. This is an important perception, but it is too bad that he has not rounded out the analysis. He might have gone on, if only briefly, to spell out the deeper truth that ultimately dooms the "market failure" idea: *Human nature and the structure of the universe are such that free markets and personal freedom, properly understood, are optimizing institutions.*

Values being subjective in origin and character, however widely shared, there is no way that limiting personal freedom, as all interventionist legislation seeks to do, can avoid reducing human welfare. Policies designed to correct alleged "market failures" thus are themselves bound to fail—from the point of view of the general welfare. Armentano more than likely shares these convictions, for he says that "because individual costs and benefits are ultimately subjective and personal, they cannot be added up or subtracted to calculate net social efficiency or welfare." (p. 71)

However, his demonstrations of the errors of antitrust policy are loaded with the language and the overtones of the positivist "empiricism" of the so-called "Chicago School," which seems to have replaced Keynesianism as the obligatory dress length in that most fashion conscious of all occupations, university teaching. Armentano is better than some. He does cite Hayek, Kirzner, and even Rothbard once or twice, But there is no citation to Mises, a serious omission, since the monopoly analysis in *Human Action* is the most seminal critique of "antitrust theory" in the literature. And for Armentano, judging from his references, the "Chicagoans," Bork, Posner, Stigler, and Demsetz, are the authorities to reckon with. Surely they are worthy writers and thinkers, but it is unsound scholarship and poor form to grant them precedence over Mises. We certainly agree with Armentano that the antitrust policies are noxious and that they should be abandoned. But it is important to the future of liberty that the grounds be established as clearly as possible. And this can be done only in the manner advanced by Mises, the Austrian a priori.

Antitrust theory holds with Karl Marx that an unhampered economy produces monopoly concentrations of "economic power" which destroy competition, exploit labor and consumers, and thus certainly also fail to allocate resources optimally. Mises has shown that there is no way to prove or disprove this proposition empirically. Even though the historical evidence has suggested time and again that the Marxian predictions are wrong, socialism springs up anew time and again, and it does so because people continue to believe that the liberty of entrepreneurs is not only dispensable, but even dangerous and noxious. It is the same with such interventionism as the antitrust policies embody. Until freedom of economic action—human action—is regarded as the essential human liberty, the optimal method of social organization, there never will be an end of efforts to correct "market failures." But only logical deduction from self-evident premises, together with a steady barrage of uncompromising exposition of the truths thus derived, can hope to achieve and to spread the necessary understanding. Statistics are inadequate, both epistemologically and rhetorically. Some day, perhaps, students of freedom will count the title of Mises' great work, *Human Action,* as the ultimate excellence of this; in the current idiom, it says it all.

Armentano's refutation of antitrust theory is at bottom logical. For example, he says that "by definition, a free market is always competitive and tends to eliminate inefficiency" (p. 59). But he is given to the funny "empiricist" jargon of such statements as "the only objective ex post test of the correctness of entrepreneurial decisions is the market process itself." I suppose that if one wants to belong to the club of current academic economists one must talk like that, but such expressions as "ex post" and "ex ante" are not helpful. They also grate on the nerves. Finally, they really do not convince anyone of anything important. . . . For all that, this is a good book, with sound and good ideas on every page, and readable for the most part, too. □

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A BASIC HISTORY OF THE UNITED STATES (five volumes)
by Clarence B. Carson.

I. The Colonial Experience, 1607-1774 (1984) 184 pages
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IV. The Growth of America, 1878-1928 (1985) 300 pages
V. The Welfare State, 1929-1985 (1986) 346 pages

Published by the American Textbook Committee, P.O. Box 8, Wadley, Alabama 36276 • Paperback $9.00 per volume; $32.50 per set. • Also available from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

Reviewed by Bettina Bien Greaves

These five volumes are probably the best available survey history of the United States. They cover almost four centuries—from the arrival of the first European settlers through Ronald Reagan's first administration. Dr. Carson, frequent *Freeman* author and former college history professor, has formed a richly woven tapestry of events and the ideas that spawned them.

For Carson, history is not merely a collection of facts and dates, an account of explorations, settlements, westward expansion, wars, Presidents, and elections. History is the product of the actions of countless individuals, each under the influence of certain ideas. And Carson explores those ideas, ideologies, and "isms." He shows how they were responsible for the settlement of this continent, the struggle for freedom, the westward expansion, the construction of schools, churches, factories, and the founding of new religious denominations. He explains why our ancestors fought for their beliefs, and strove to create a government, limited in scope, with checks and balances, that would not have the power to oppress the people.

As the late Ludwig von Mises wrote, "The genuine history of mankind is the history of ideas. . . . Ideas engender social institutions, political changes, technological methods of production, and all that is called economic conditions. . . . New ideas . . . are the response offered by a man's mind to the ideas developed by his predecessors." (*Theory and History,* p. 187)

This is Carson's approach. He explores the ideas from which events spring, explains their complex interrelationships, and makes them understandable. He discusses at length the 19th-century authors, romanticists, utopians, and religious crusaders who sought to make society over according to their own plans. He shows how the views of some of these idealists served in time to undermine the rule of law and to limit the freedom of individuals. He deals with radicalism, Marxism, populism, and progressivism, and shows how each has contributed to the growth of government.

Volume I backtracks to discuss the intellectual climate in Europe before Columbus sailed west. Carson then reports on the influences that led the several colonies to struggle for independence from England.

Volume II carries the chronicle through the years when the colonies were becoming unified into a single nation and beginning to expand westward.

Volume III describes the development of north-south dissension, the Civil War, the devastation of the south, and its painful recovery. Carson shows how Congress violated constitutional principles during the post-Civil War reconstruction period, rode roughshod over the rights of individuals, and thus contributed to the expansion of government.

In Volume IV, which deals with the latter half of the 19th century, we begin to see the origin of the ideas and "isms" that spawned 20th-century government intervention. Here Carson explores the germs of socialism, communism, international imperialism, World War II, and the monetary manipulation that led to the artificial boom of the 1920s.

Volume V brings the narrative to times within the memory of many of us. We read here of the depression, FDR's New Deal, World War II, welfarism, the "cold war," Korea, the radical 1960s, Vietnam, and Watergate.

Carson considers the 1960s, under the Warren Court (1953-1969), to have been a second period of "reconstruction." Once more

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the Constitution was ignored and the rights of individuals violated. To wipe out the remnants of racial segregation, and to assure voting rights, religious freedom, and the rights of the criminally accused, the Court altered the system of constitutional checks and balances. This contributed to the breakdown of law and order, and the attack on family values.

Carson's final chapter, "The Conservative Response," credits writers such as Ludwig von Mises, F. A. Hayek, George Orwell, Ayn Rand, Henry Hazlitt, Leonard Read, Robert Welch, Bill Buckley, Russell Kirk, and others for the recent shift toward "conservatism." He gives Reagan credit for helping to revive patriotism and confidence in America. However, the welfare state is so thoroughly entrenched that government continues to grow in both size and scope.

Carson earned his Ph.D. at Vanderbilt University. As the author of books on this nation's early years (*The American Tradition* and *The Rebirth of Liberty*), 19th-century America (*Throttling the Railroads* and *The Fateful Turn*), the ideological turn toward socialism (*Flight from Reality* and *The World in the Grip of an Idea*), and recent government intervention (*The War on the Poor* and *Organized Against Whom?*), he is well equipped to write a survey of U.S. history. Whatever the future brings for this country, Carson's overview will help us to better understand how it came about.

These five volumes are profusely illustrated. Each contains portraits and biographical vignettes of leading figures, and is indexed and footnoted. The footnotes, which are numbered in sequence from the beginning to the end of each volume, make it easy to locate a specific reference. At the end of each volume there are "Suggestions for Additional Reading." Thus these volumes are not only "storybook history," but they can lead the reader to further exciting reading. □

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The ideal of freedom is to let anyone do anything he pleases, as long as his behavior is peaceful, with government empowered to keep the peace—and nothing more. An ideal objective, true, but one that must be pursued if we would halt the continuing descent of our society from bad to worse. Nothing short of this will suffice. And unless we fully understand the ideal—and what makes for its attainment—we'll tend to settle for powerless, futile little pushes and shoves that yield no more than a false sense of something done.

—Leonard E. Read

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